The MAGAZINE of WALL STREET

and BUSINESS ANALYST

JUNE 17, 1950

75 CENTS

LOS ANGELES PUBLIC LIBRARY

JUN 20 1950

SOCIAL SCIENCES

PROJECTING THE NEW TRENDS
— AS WE ENTER THE SECOND HALF
By E. A. KRAUSS

★

NEW OUTLOOK FOR MEAT PACKERS
By RICHARD COLSTON

★

5 STOCKS OF "BLUE CHIP" CALIBRE
— FOR ASSURED GOOD INCOME... WITH APPRECIATION
By The Magazine of Wall Street Staff

★ REACTION BEGINS FURTHER RISE! ★



L.S./M.F.T.



Yes, L.S./M.F.T.

LUCKY STRIKE

means Fine Tobacco!



COPR., THE AMERICAN TOBACCO COMPANY

So Round, So Firm, So Fully Packed—So Free and Easy on the Draw

THE MAGAZINE OF WALL STREET
and BUSINESS ANALYST

Member of Audit Bureau of Circulations

Vol. 86, No. 6 June 17, 1950

The Ticker Publishing Company is affiliated by common ownership with the Investment Management Service and with no other organization. It publishes The Magazine of Wall Street and Business Analyst, issued bi-weekly, and The Investment and Business Forecast, issued weekly. Neither the Ticker Publishing Company nor any affiliated service or publication has anything for sale but information and advice. No securities or funds are handled under any circumstances for any client or subscriber.

CONTENTS

Trend of Events 295
As I See It!
By Robert Guise 297
Reaction Before Further Rise?
By A. T. Miller 298
Projecting the New Trends—As We Enter The Second Half
By E. A. Krauss 300
Evaluating Increased Productive Capacity
By Ward Gates 303
Rail Equipment Buying—New Style
By Roger Carleson 306
Happening in Washington
By E. K. T. 308
As We Go to Press 309
Political-Economic News Around-the-World
By V. L. Horoth 311
What Price Corporate Cash Resources?
By Phillip Dobbs 313
5 Stocks of "Blue Chip" Calibre
By The Magazine of Wall Street Staff 316
New Outlook for Meat Packers
By Richard Colston 319
The Battle of the Containers
By H. S. Coffin 322
How is The Bond Market Faring These Days?
By J. S. Williams 324
For Profit & Income 326
The Business Analyst 328
Keeping Abreast 333
Answers to Inquiries 335

Chart Credit (pages 316-17-18)
F. W. Stephens, 15 William St., N. Y. C.
Cover Photo by Cities Service Company

Copyright, 1950, by the Ticker Publishing Co., Inc., 90 Broad St., New York 4, N. Y. C. G. Wyckoff, President and Treasurer; Eugene J. Foley, Vice President; Arthur G. Gaines, Secretary. The information herein is obtained from reliable sources and while not guaranteed we believe it to be accurate. Single copies on newsstands in U. S. and Canada, 75 cents. Place a standing order with your newsdealer and he will secure copies regularly. Entered as second-class matter January 30, 1915, at P. O. New York, Act of March 3, 1879. Published every other Saturday.

SUBSCRIPTION PRICE—$15.00 a year in advance in the United States and its possessions and Pan-America. Canadian and Foreign Postage, $1.00 additional per year. Please send International Money Order or United States Currency.

TO CHANGE ADDRESS—Write us your name and old address in full, new address in full and get notice to us three weeks before you desire magazine sent to your new address.

West Coast REPRESENTATIVE, A. M. Rothenberg Associates, 2412 W. Seventh Street, Los Angeles 5, Calif.

EUROPEAN REPRESENTATIVES — International News Co., Ltd., Breams Bldg., London, E. C. 4 England.

Cable Address — Tickerpub

WHY BUY STOCKS?

That's a fair question that deserves a straight answer.

All right. Here it is: To make a *better* return on your surplus savings—the money you have left after you've paid your bills and put enough aside to protect your future.

But would your money be safe, would the return be sure?

We're not in the business of selling "sure things". No broker is, because he knows risk is an inevitable part of *any* investment—no matter where you put your money.

But we do believe that listed stocks represent both a *better* and a *surer* investment than most people realize.

Look at the record.

Last year, for instance, roughly 90% of the common stocks listed on the New York Stock Exchange paid dividends, and those dividends averaged 7% of the price at the end of the year. Some paid more. Some paid less.

Is that typical—or was 1949 an unusually good year?

Judge for yourself. Here are the facts:

Year	*Pct. of N.Y.S.E. Common Stocks Paying Dividends*	*Average Dividend as Pct. of Year-End Cost*
1941	75.2%	9.3%
1942	77.7%	7.8%
1943	81.3%	6.1%
1944	83.0%	5.0%
1945	84.7%	3.6%
1946	85.5%	4.8%
1947	88.2%	6.3%
1948	89.5%	7.8%

But what about the risk you run of losing some of the capital you put into listed stocks?

Well . . . let's look at the figures again. The Dow-Jones composite average is one of the best known barometers of the stock market. That index, reflecting the average price of 65 industrial, utility, and railroad stocks, ranged between a high of $71.92 and a low of $57.75 over the whole of last year. Not as much fluctuation—as much chance for loss or gain—as you may have imagined, is there?

Of course, you're not buying average stocks with average dividends at average prices. We've used averages here to answer the general question, "Why Buy Stocks?"

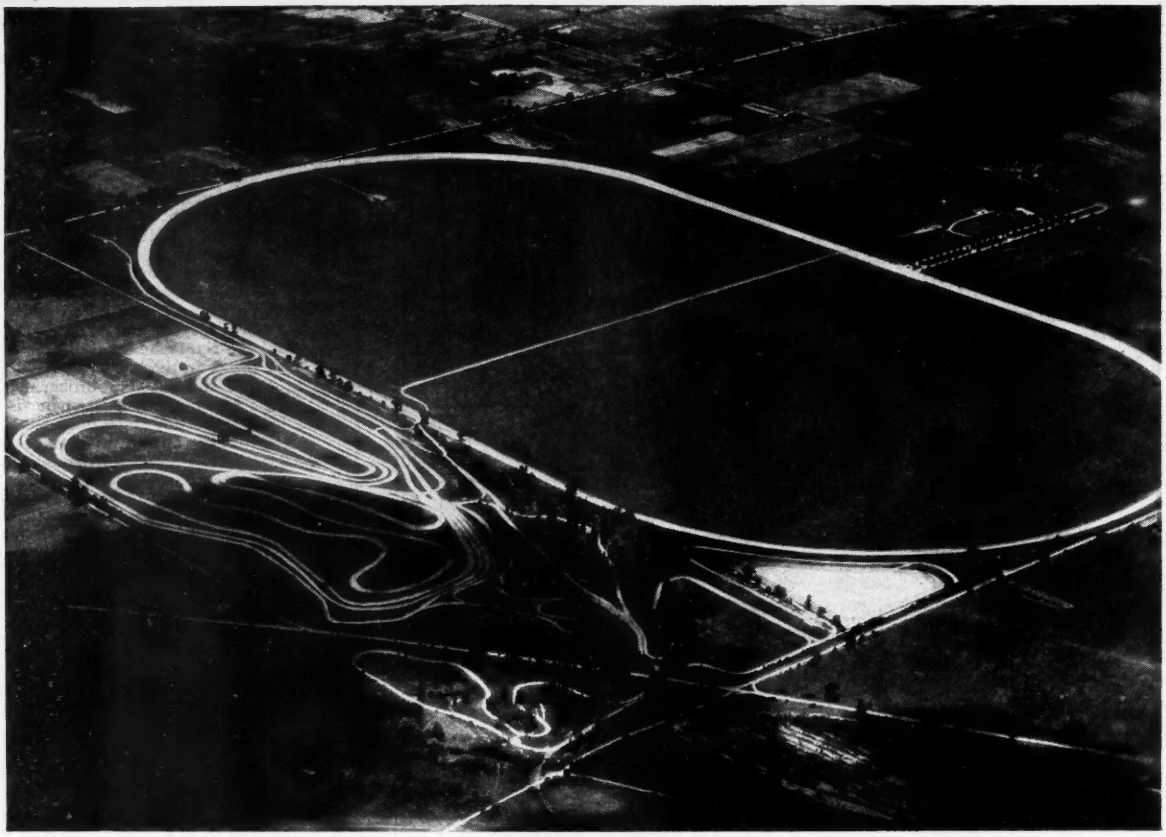
When you come to the next question—"What stocks?"—we won't talk in averages. We'll talk facts and figures, try to give you the information you need to reach an intelligent investment decision—*for you.* Just ask for what you want to know. No charge or obligation.

Department SF-49

MERRILL LYNCH, PIERCE, FENNER & BEANE

70 Pine Street, New York 5, N. Y.

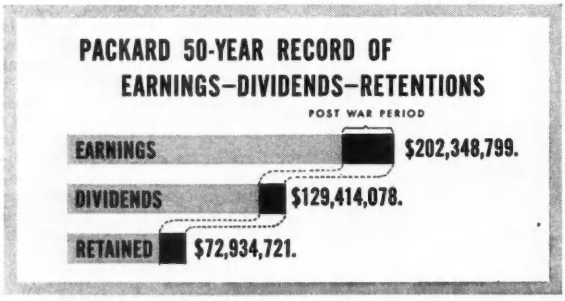
Offices in 98 Cities



Where is the world's fastest 2½-mile speedway?

Indianapolis? Guess again. It's at Utica, Michigan —part of the 504-acre Packard Proving Ground.

Packard had the vision, 24 years ago, to build this concrete speedway—and its adjoining network of roads of every description—for scientific development and testing of new models . . . and for periodic confirmation of the quality of production models.



Money at work: Believing that company strength is the best guarantee of continuing progress in research and development, Packard has maintained a sound long-range balance between dividends and retentions. This kind of planning has kept Packard financially strong, and has provided the finest working facilities in Packard's entire 50-year history.

On this huge proving ground, whose facilities are kept constantly up-to-date, hundreds of Packards have rolled up millions of miles in grueling performance and durability trials. Additional testing is conducted on roads throughout the United States, and in Packard research laboratories and experimental shops.

Out of this exhaustive Packard program have come engineering advances which have influenced the design of other makes of cars the world over.

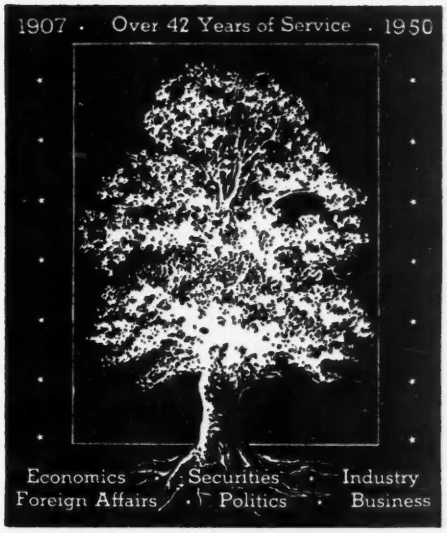
Newest of these famous Packard "firsts" is Packard Ultramatic Drive—described by impartial technical observers as the "last word in automatic, no-shift control." If you pride yourself on your up-to-date knowledge of motor cars, we know you'll visit your Packard dealer this week for a demonstration of this engineering triumph.

PACKARD

ASK THE MAN WHO OWNS ONE

THE MAGAZINE OF WALL STREET

C. G. WYCKOFF, *Editor-Publisher* E. A. KRAUSS, *Managing Editor* ARTHUR G. GAINES, *Associate Editor*



The Trend of Events

DECLINING DEFICIT . . . The magnitude of the Federal budget and its dependence on the state of business have often been discussed in these pages, usually with an air of gloom or at least disapproval. Hence it is a distinct pleasure for once to speak about the budget in less depressed tones, because—believe it or not—there is every prospect that the Government at the end of fiscal 1950 may be better off by some $1.4 billion than had been expected.

This is not small change, even though we are spending at the rate of some $42 billion a year. It is more than one-fourth as much as the total Federal receipts in 1940, the last prewar year. And it is considerably more than the House Ways and Means Committee has proposed to whittle out of existing excise taxes.

What happened to get such an unexpected windfall? The explanation is, of course, that thanks to growing economy-mindedness among our more responsible legislators, the Government is spending a little less; equally important, it is also collecting a little more than predicted, thanks to the sharp pick-up in business which creates more taxable income.

Thus when President Truman unveiled his budget last January, he figured on a deficit of $5.5 billion for fiscal 1949-50, and a further deficit of $5.1 billion for fiscal 1950-51. Both estimates at that time seemed understatements, considering Federal spending propensities and the unsettled state of the world. Income tax collections in March sustained this pessimism. But since then, business has been looking up, and there has also been some drop in expenditures. The latter may be temporary, if not illusory—merely to be spent afterwards. But anyhow, the cumulative deficit for the first eleven months of the fiscal year is only about $3.2 billion; with only a month to go, the year's deficit will be closer to $4 billion than $5 billion, and this alone is good news.

It also points up several important things. First of course, our dependence on a high level of economic activity, if we want to balance the budget or avoid crippling deficits. It also illustrates how far we are from a scientific budget. Accuracy in estimating receipts can probably never be attained; we have to feel our way. But the President and Congress, working together, might avoid meat-axe cuts or impulsive and unreasoned increases in expenditures as well as taxes.

The expected windfall, if that is what it is, will no doubt have some influence on the controversy between the White House and Congress over the excise tax cuts. Congress now is in a position to make a good case for cutting excises, as suggested by committee action, without legislating offsetting new taxes as insisted upon by Mr. Truman. Whether this would be a good thing is a moot question. Cold war costs are rising and while they do, taxes cannot go down much. For sensible tax relief, our best bet still is utmost economy in Government. There are plenty of places where economy can be applied without skimping on vital expenditures.

We recommend to the attention of our readers the analytical discussion of business trends contained in our column "What's Ahead for Business?" This regular feature represents a valuable supplement to Mr. A. T. Miller's stock market analysis of importance to investors as well as to business men. To keep informed of the forces that may shape tomorrow's market, don't miss it!

BIGNESS . . . Those who have been wondering just how far the Department of Justice proposes to go in its drive against

BUSINESS, FINANCIAL *and* INVESTMENT COUNSELORS : : 1907—*"Over Forty-two Years of Service"*—1950

bigness in business now have been given at least a partial answer in the form of the Attorney General's request that the Federal courts decree that General Electric Co. divest itself of one-half of its facilities for making electric light bulbs. This isn't all, of course, nor is it the only unusual feature of his requests which also call for the company to "dedicate to the public" all existing lamp patents and grant any licensee the right to visit any General Electric plant at least once a year.

But foremost, it raises one question: What measurement was used to determine just how large GE's lamp-making activities should be to conform with the anti-trust laws and with the national interest? We probably shall never know.

General Electric has pointed out, in reply to the Government charges, that if it committed acts since 1927 with the intent to monopolize the lamp business, "it was singularly unsuccessful." For in 1927, GE had 63% of the total lamp business, in 1930 it had 62%, in 1935 59% and in 1940 slightly over 58%. Against this, in the years prior to 1924, the company's business accounted for as much as 82% of total industry sales.

Moreover, throughout the years, the company has consistently lowered prices. The cost of a 60-watt lamp between 1920 and 1942 was cut from 45 cents to 10 cents although its lighting efficiency was stepped up 45%, and all this in the face of a rise of 42% in wages. Thus if a monopoly has been operating in this field, as alleged, it has certainly been working in the public interest. Would similar progress have been possible, had the lamp business been split into numerous small concerns? We greatly doubt it.

Any effort to force GE to divest itself of half its lamp manufacturing facilities therefore raises the question whether dismemberment of the company is not being sought merely because it has been too efficient. It also raises the question whether the consumer is expected to support inefficiency, in terms of higher product prices, merely to underwrite a hazy official concept of "how big is too big?" It's all very paradoxical.

We are sure that the Sherman Act was not designed to punish dynamic progress, and to reduce competitors to a common level of mediocrity. If this were so, it would mean a damaging blow to initiative which the country cannot afford.

BOOM AND EMPLOYMENT . . . The job picture at present is the brightest it has been in over a year. Only a lag in the number of farm workers kept total employment in May from soaring over the 60 million mark for the first time since July 1948; and unemployment fell off between April and May, from 3,500,000 to 3,057,000—the lowest point since April 1949 when unemployment was just about three million and moving up. As it is, total employment now stands at the respectable figure of 59,731,000, a jump of one million from the April estimate with significant gains particularly in construction work and factory employment, apart from a sharp seasonal rise in farm employment.

As a result of this development, unemployment has pretty much moved off the front pages but chances are it won't stay that way long. It is apt to grow in the months ahead even though employment will likely be well maintained, and this highlights the continued existence of a job problem in the midst of boom conditions. For there is still a shortage of job opportunities for the new workers who enter the labor force each year. Exceptionally large classes will be graduated by our schools and colleges this summer and these newscomers to the labor force—estimated at about 450,000—will not be readily absorbed by business and industry. Then the unemployment figure will shoot up again, and any development of even mild recessive trends later in the year will accelerate the process.

This year, the total net addition to our work force will be about 700,000, and it will be at least half a million a year for several years to come, and then get higher. Thus if unemployment is to be kept under control, there is need to create some 700,000 new jobs this year alone. It points up the great need to match our expanding labor force with an equally expanding number of job opportunities.

We may be certain that any considerable increase in idleness will bring forth numerous demands for more deficit spending, liberalization of unemployment compensation and spread-the-work schemes in industry. Among labor unions, there are evidences that the emphasis may soon be placed on demands for shortening hours of work without reduction of take-home pay. Neither of these courses would be sound.

It is pertinent to say that it is up to private business enterprise to provide the job opportunities needed. And one cannot be far wrong in the expectation that if private business does not take up the accumulating slack, the Government will undertake to do it. And that would not be an ideal solution.

But if private business is to do the job, it is up to the Government to pursue the proper policies towards business to encourage and enable the latter to provide the needed employment. Driving out venture capital through excessive or inequitable taxation is not the way. Neither are punitive anti-business policies, nor the current tendencies towards mounting inroads into our personal liberties. In the end, by blighting the creation of jobs, such policies hit the common man hardest.

OFF-SHORE OIL . . . The Federal Government recently won before the Supreme Court its tidelands oil cases against the States of Louisiana and Texas when the High Court ruled in favor of the Government's claims of "paramount rights" in such oil-bearing tidal areas, but this far from settles this much-disputed matter. On the contrary, the effect will be to complicate the stalemate that has existed for the past several years between the Federal Government and the States involved.

The Court, in this case, followed a previous ruling vesting ownership of such coastal lands in California in the Federal Government instead of the State. In doing this, it doubtless is giving added impetus to the move in Congress for a statute placing ownership of tidal lands in the States. If enacted, it would nullify the Supreme Court decision, and the chances of just that are at least even.

Southern oil interests are expected to put pressure behind the bill, preferring State regulation to that of the Federal Government, and the States themselves of course have a consider- (*Please turn to page* 346)

BUSINESS, FINANCIAL *and* INVESTMENT COUNSELORS : : 1907—*"Over Forty-two Years of Service"*—1950

As I See It!

BY ROBERT GUISE

MR. LIE — A LINK IN RUSSIA'S PEACE OFFENSIVE

Months before Trygve Lie went to Moscow, the air was full of rumors that Russia intended to launch another of her peace offensives. It is now evident that Mr. Lie was used for this purpose. In his attitude as Secretary-General of the United Nations, he has been decidedly sympathetic to the Russians, and he went to Moscow at the height of the Soviet peace offensive — exactly at the time when communists and communist sympathizers the world over were crying "peace."

We have already discussed what Mr. Lie brought back from Moscow; it was nothing new but merely the old Russian formula for piecemeal surrender by the West, the aim of every past Soviet peace offensive. Every one of these, from the West's standpoint, has proved utterly fruitless and the latest is no exception. However, if the Lie journey has accomplished nothing else, we should know better than ever exactly where we stand.

The Russian ideas of world cooperation still require as a prerequisite, Western appeasement of Russia along the lines of a Super-Munich, the ultimate outcome of which one shudders to contemplate. At no time in his talks with Mr. Lie has Stalin and his henchmen gone even as far as promising to cooperate in any way with the efforts of the various U.N. committees or conform with their decisions. While Mr. Lie supplemented his "suggestion" that Red China be seated in the Security Council, with a ten-point program to strengthen the U.N. and make it a workable body, there was not the slightest assurance that Russia would really cooperate in any such undertaking. More and more, in fact, it looks as if Mr. Lie's journey has been a complete failure. One must conclude, on basis of the evidence presented, that Mr. Lie was soundly rebuffed by the Kremlin and this in turn confirms the conviction long held by most realistic observers that neither a Truman-Stalin meeting nor direct negotiations would contribute anything towards ending the cold war.

In view of this, Mr. Lie's proposals deserve the cool dismissal which they received in Washington and elsewhere. They received far more publicity than they deserved but at least accomplished this: They showed the world that Soviet imperialism is as strong as ever, and that it requires wise and determined western leadership (not always evident), and full realization of the dangers we are facing, if we are to stand up successfully against the Russian menace.

A determined stand is particularly called for in the coming showdown on China's position in the U.N. The sugestion that Russia is likely to leave the U.N. unless Red China is admitted seems utterly absurd since she is unlikely to discard such a ready-made instrument of propaganda by which time and again, in blocking U.N. action, she has demonstrated her power to the world, and her disdain of the West. She would be more likely to seek to use even more her power in that organization and in the end dominate it completely, should we be so utterly and unbelieveably dull as to accede to Russian wishes regarding China. That exactly is the game she is playing, and that is what the West must guard against.

The course of Russian imperialism is obvious to all who want to see it, and it is a course from which there is to be no deviation and in which there is to be no compromise. This was demonstrated again by Russia's latest actions towards Eastern Germany — the Kremlin-dictated Oder-Neisse boundary agreement between East Germany and Poland and the forced separate peace between the two; the brazen announcement that the repatriation of German war prisoners has been com- (*Please turn to page* 346)

"THE CLAWS AND THE OLIVE BRANCH"



Russell in The Los Angeles Times

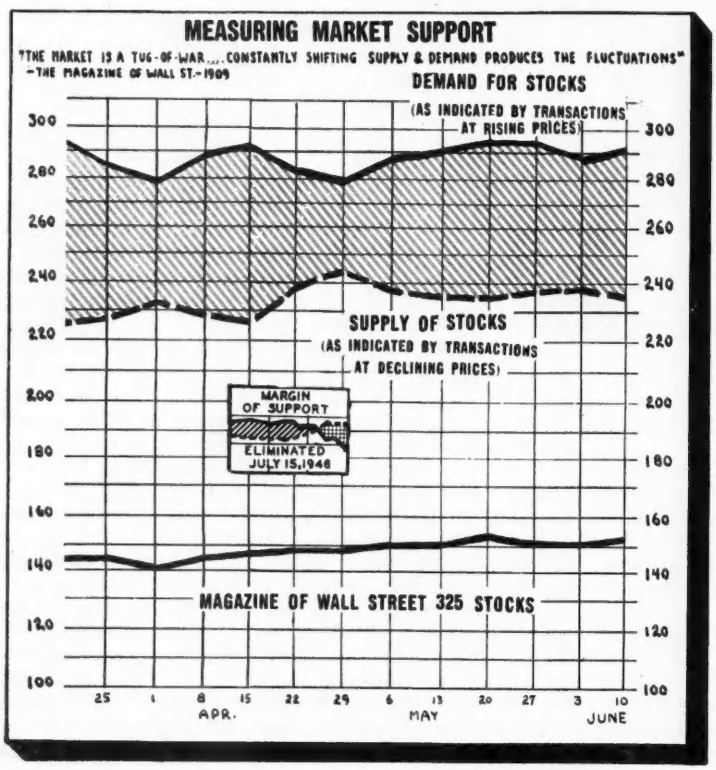
Reaction Before further Rise?

There has been a moderate further rise in the Dow industrials and our index of high-priced stocks, aided by the surprise General Motors stock split. For reasons detailed below, a pause of some duration in the main advance may be in the making. Maintain existing holdings, if sound; defer buying other than selective switches for portfolio improvement.

By A. T. MILLER

In the forepart of last week the market was subjected to a considerable downside test, taking the Dow-Jones industrial average down a maximum of nearly 6 points before it was checked. But all of the ground was quickly recovered in a rebound coinciding with announcement of the proposal to split General Motors stock two-for-one. This stock, whose fortunes probably influence the thinking and the emotions of more investors and traders than any other, rose 7¼ points in a single session. The end of the trading week found the industrial average once more at a new high, nearing the 12-month point in this cycle of advance.

The additional rise, taking the average to 226.85, or more than 14 points above its 1946 bull-market top, was moderate, extending the best level of late May by less than 3 points. Prior to this spurt, the rail and utility averages had been drifting mildly downward for some days from their previous highs, made May 20 in each case. At the recent lowest level, seen June 6, rails were lower than at any time since early January; but the narrow 1950 trading range (56.96—52.88 to date) was maintained. On the subsequent improvement, both of these averages returned to within fractions of their May highs.



Technical Indications Doubtful

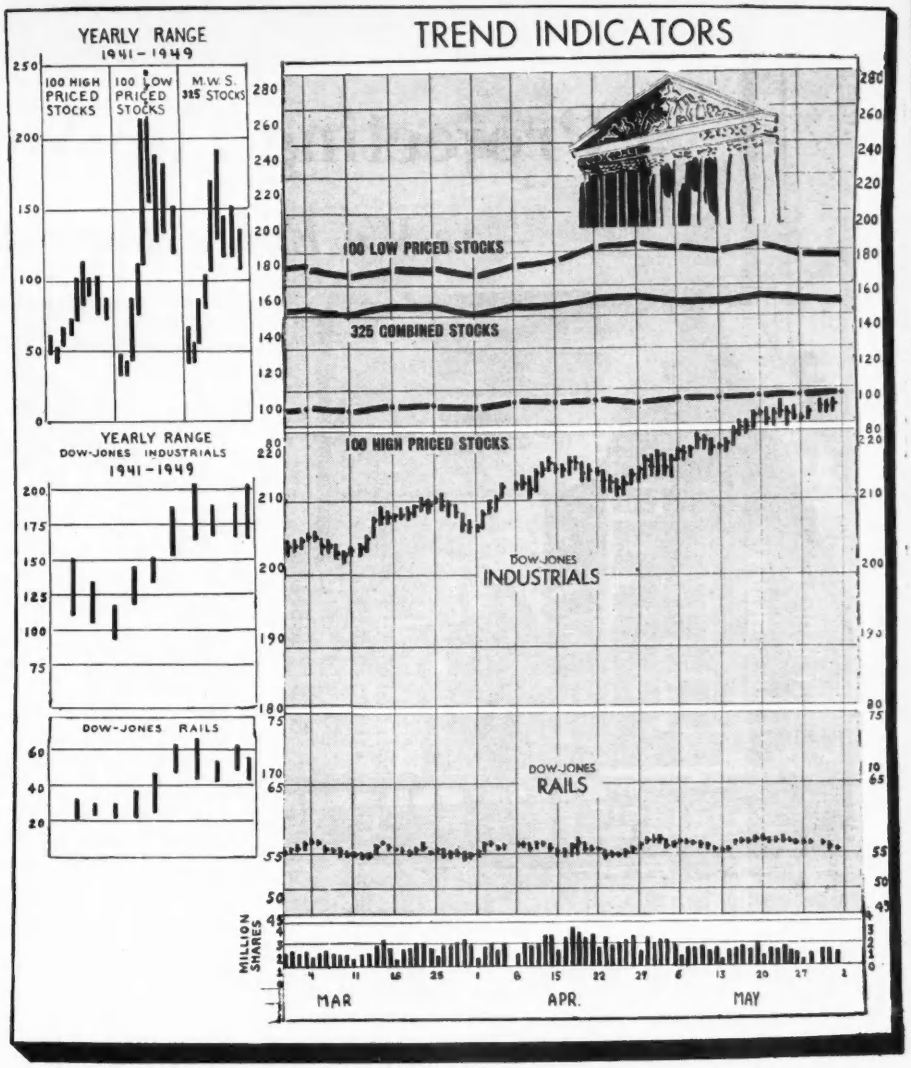
Taken by itself, this behavior could be called fairly impressive; since there was a phase of rather heavy selling, which was well absorbed and which was followed by renewed strength. However, it cannot be taken by itself; for it was associated with, if not geared to, the surprising General Motors news. Hence, no technical appraisal of the "indications" provided in the week of June 5-9 can be of much use.

Certainly the GM stock split was on the stimulative side. Whether there would have been a reaction of significant scope without it is anyone's guess. If so, the reaction will come anyway, perhaps before long; for the special stimulus effective last week is not a continuing thing.

There have been some tentative signs of "tiredness" in the market; and this continues to be so. Thus the May highs, as we noted before, found volume tending to lag. On last week's rise volume rose moderately but remained well under the year's top level to date, seen in April. Moreover, the selectivity of the market began to approach the extreme side; with a very small minority of stocks responsible for the new high in the daily industrial average, and the action of the great bulk of the list quite lethargic, if not negative. For example, on the best day last week the industrial average rose 1.84 points, yet less than 50 common stocks, out of much more than 1,000 listed on the "Big Board," were individually able to record new highs. A handful of automobile, chemical, copper and steel stocks have been doing much of the work for the bull cause. A far larger number are churning around or otherwise not getting anywhere to speak of at present.

For our broad weekly index of 325 stocks the high to date was made three weeks ago at 153.3. The index now stands 151.8, against 151.4 a fortnight ago. There is a similar pattern in the low-priced stock index. It rose a small fraction on the last fortnight to 179.58, comparing with high of 183.93 for the week ended May 20. However, moving more or less with the Dow industrial average, the index of 100 high-priced stocks edged up to another new high since 1946.

Although there is demand, at a price, for every kind of stock, demand remains strongest for good-quality stocks; and it is mainly of investment or semi-investment character. Despite some flare-ups from time to time, speculative activity and enthusiasm have been relatively subdued. Perhaps that is one reason why a reaction of more than slight scope has been so long deferred. Most stocks, and especially the better-grade issues, are much less cheap than they were a year ago or six months ago; and are in historically high ground. The latter fact, as strikingly emphasized by General Motors' rise above its 1929 high, makes many investors more cautious and selective as regards buying; and more inclined to clinch some profits here and there.



Of course, too much significance should not be attached to historical price ranges. The year 1929 is almost a generation behind us now, and becomes less and less of a landmark. Many things have changed. The purchasing value of the dollar is one of them. Earnings and dividends and assets are others. If everything else is going to remain substantially inflated — and that appears to be the prospect — you cannot expect common stocks to remain anywhere near as deflated as they have been so much of the time during the last four years.

If "normal" for nearly everything is much higher than it was before the war — and that obviously must be so — then it is so also for the stock market. In part, the higher "normal," where measured in dollars, is simply the reflection of dollar depreciation through the Government's own wartime inflation of the money supply. That 226.85 figure for the Dow industrial average is partly an optical illusion. In terms of dollars of 1935-39 value it approximates 136, compared with highs (adjusted on the same basis) of 161 in 1946, 191 in 1937 and 308 in 1929. So examined, the Dow industrials are really somewhat closer to "historically moderate" than to "historically high" ground.

Yields and P-E Ratios

The average current yield on better-grade stocks — stocks more or less like those in the Dow industrial average or in our weekly index of high-priced stocks — still is a little over 6%, compared with less than 3.5% at the 1946 high; and less than 3.25% at the 1929 and 1937 market peaks. On this criterion, stocks are far from an extremely high level. The same is so when stock yields are figured in ratio to high-grade bond yields. Representative industrial equities currently yield about 136% more than do top-grade corporate bonds, compared with about 169% more at the 1949 low. For comparison: At the 1946 market high, stocks yielded about 35% more than bonds; at the 1937 high, the yields were almost identical; and at the 1929 high, bonds yielded about 61% more than stocks. Better grade industrials are priced at less than 8 times earnings, on an average, compared with more than 18 times at the 1946 high; around 12 times at the 1937 high; and roughly 19 times (*Please turn to page* 346)



Projecting The New Trends

—*As We Enter The Second Half*

By E. A. KRAUSS

As mid-year approaches, and with it the prospect of a seasonal lull in business during the early summer months, it is timely to take a step back for a better look of what's ahead during the balance of 1950. In the past few months particularly we have witnessed a strong upsurge in business activity which carried almost every economic indicator to a renewed boom pattern. In the face of this glowing picture, there is naturally increased questioning about the future. How long will the boom last? And how much decline, if a let-down occurs?

These are questions foremost in the minds of many who make it their business to anticipate coming trends. Strangely enough, while everybody welcomes the boom, it has not only turned former pessimists into optimists. It also tends to convert former optimists into pessimists, mindful of the old adage that "the higher we fly, the harder we fall."

Before going into the elements that are likely to determine future trends, let's look briefly into the factors behind the present push, for there is a close interrelation. In the first place, consumer demand has not only been strong but constant ever since the war's end despite occasional surface evidence to the contrary. There was scarcely any falling off on the whole, even while we underwent last year's inventory recession. We are still enjoying the momentum generated by the war years of high incomes and accumulated needs. It is something we hardly ever experienced, in comparable degree, before.

Another point to keep in mind is that much of the production rise in the first quarter resulted from a reversal of inventory policies. When business ate into their inventories a year ago, it brought about a downturn of production. We have been getting the reverse now as inventories are being rebuilt. Moreover, strikes and threats of strikes — now seemingly removed—have been a factor in the heavy demand this Spring, at a time when there normally is a seasonal bulge anyhow. Contributory factors have been heavy Federal spending and record consumer incomes, augmented by extensive borrowing. Consumer credit has risen about 20% over a year ago and is still pointing upward.

The last two factors hold distinct future significance because obviously there will come a time when buying for inventory will taper off, and a point where consumers cannot extend themselves deeper into debt. It's considerations such as these, together with the continued divergence between sales of durable and non-durable goods which account for the worried notes that are sounded above the roar of the boom.

For the shorter range, there is little to darken the picture which is one of a well-sustained, improved business cycle. When viewed over the longer range, qualifications abound. Some question the source and length of present demand, asking how much of it is demand postponed by the coal and steel strikes, and how much can be counted upon as new and sustained demand. Only time will tell, but these are questions back of the growing divergence of opinion on the outlook, ranging all the way from unlimited optimism to gloomy fear that the boom is living on borrowed time, that its last phase is at hand with the prospect of a coming decline substantially more serious than the recession of 1949. Both viewpoints, it seems to us, are extreme.

There is little to detract from the brightness of the shorter range picture. We are all aware of the tremendous activity in housing and automobiles, two of the boom's most important legs, and of consumer durable goods generally such as appliances, television sets, furnishings, in short everything that goes into the hundred of thousands of new homes being built. In turn this has lifted steel output to the highest rate it can go, with the prospect of shortages well into

the fourth quarter. In turn, also, the boom has pushed most price averages above year-ago levels, with particular emphasis on metals, imparting a distinct but likely deceptive inflationary flavor. Only in non-durable goods has activity been lagging; not all industries, as will be discussed later in some detail, are sharing in the general prosperity.

Retail Trade

Retail trade which has recently been reaching new all-time highs, is of course reflected back along the lines of production, heavily weighted by insistent demand for durables. Business investment in new plant and equipment has been lagging behind last year but remains substantial, and sights recently have been raised. That business kept rising despite this lag, as well as sinking farm income and declining net exports, is merely further evidence of the boom's astounding vitality. As a direct corrollary, unemployment has all but disappeared from the front page.

Still, while there seems to be no stopping it, it is bound to level off some day—even if it doesn't turn down greatly. There is no one who expects the automobile industry to maintain its recent production pace at an annual rate of nine million units) very far into the future. Similarly, housing starts are due to level off, then slip—if only seasonally—later in the year. Building contracts are off a bit now, and there are dangers in the headlong pace which the housing industry is maintaining. Much new residential building is on speculation rather than on specific order and it is almost inevitable that sooner or later such a movement overshoots the market, leaving a residue of unsold homes.

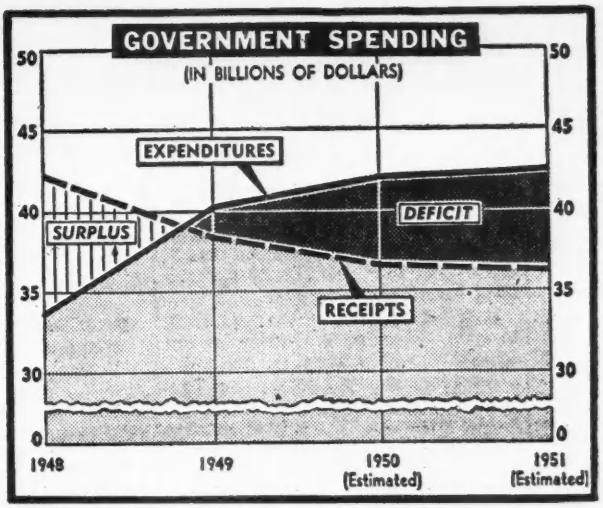
Additionally there is evidence that factory production is catching up with demand. In April, shipments exceeded new orders for the first time in six months and new orders, booming earlier, leveled out in April and May. It is too early to appraise the full significance of this latest development but it bears watching for signs of further tapering, heralding at least a moderate downturn in industrial activity in the closing months of the year.

Inventory Trends

Total inventories, while still sound and not excessive in relation to sales, have been edging upwards and it is here where the need for restraint may soon arise. Recently, wholesalers and retailers have been incrasing their stocks faster than manufacturers and from now on, this trend may reverse itself. In most soft goods lines, stocks are normal while inventories of most metals and finished hard goods require further rebuilding, though likely at a slower pace in coming months. This is important, for any wild inventory sprees were bound to have painful repercussions later on, similar to, or possibly worse than last year's.

As it is, the spirit of caution is widespread, affording the hope that this will be avoided. But any halt and subsequent reversal in the current inventory trend will also signify a certain slackening of industrial activity, possibly during the fourth quarter, but at the same time create a buffer against the inflationary tendencies presently in evidence.

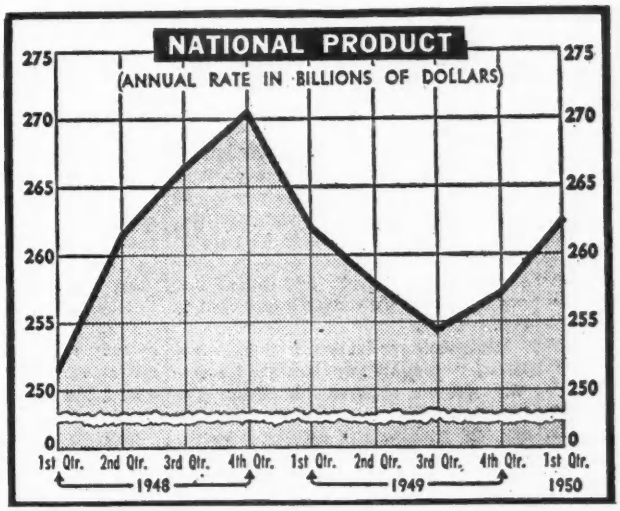
Briefly, 1950 promises to be another excellent business year though the conservative course is to allow for some let-down late in Fall, apart from a mild mid-summer lull that should be followed by a

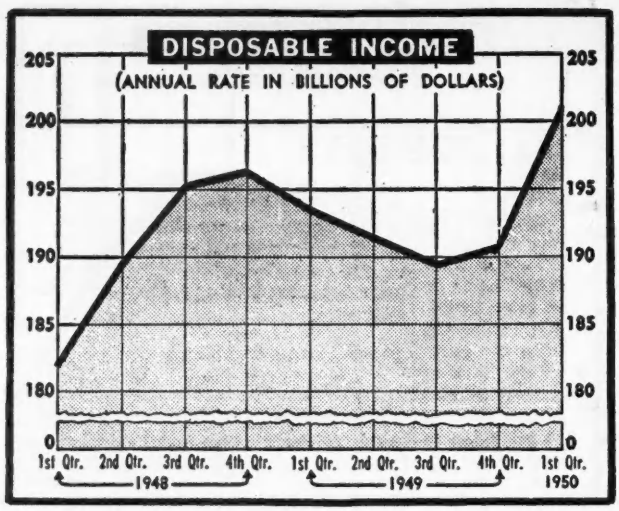


renewed upsurge. Clearly, though the currents of demand run strong and the consuming public is well heeled with purchasing power, the recent pace cannot continue indefinitely without a temporary pause or, more likely, a settling at a somewhat lower plateau. The latter may well occur in 1951, after a renewed initial upturn; but even then, any long or sharp contraction appears unlikely.

Reasons to support this assumption are manifold. Foremost among them is the 19 million increase in population over the past decade, the 26% increase in the number of married couples, and the 46% rise in the number of children under ten, all of which represent powerful factors augmenting current and future demand for virtually all consumption goods. They have been sparking the present boom, and population is continuing to rise steadily and quite fast, at an estimated rate of about 1.5 million a year. Rising population plus well sustained incomes, the latter aided by rising wage trends, should provide a strong underpinning for high level activity.

Then there is the factor of Government spending, both for implementation of domestic programs and to meet the exigencies of the cold war. Defense spending, already huge at an annual clip of some $20 billion, will be accelerated and augmented by our latest commitments for European defense. It would not sur-



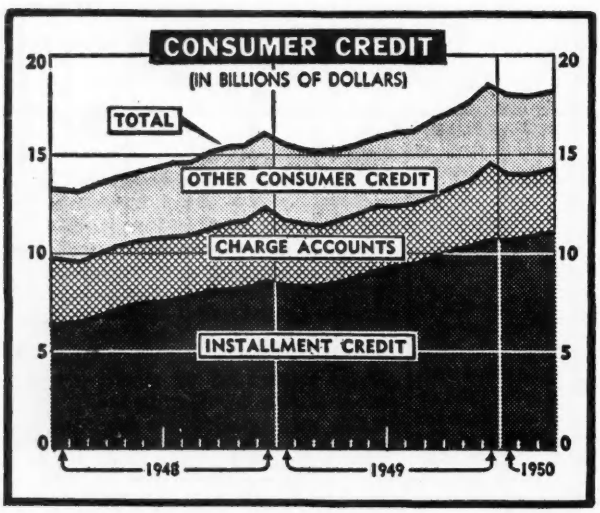


prise if the latter alone would eventually come to as high as $3 billion annually, for a number of years. True, the rise in arms orders will be gradual and business effects won't show up before Summer 1951 but this may be the very time when a fillip is needed. Though official thinking is that the order volume won't be great enough, at least at the beginning, to burden the economy with a shortage-making overload, it should help offset any declining tendencies which then may occur.

Capital Spending

The prospect of fairly well sustained capital spending by business is another constructive factor in the outlook, determined not only by the nation's rapid technological progress but by pressure on business to replace and modernize equipment more rapidly so as to keep the wage bill under control. With wage trends again on the rise, such need will mount rather than decrease. Rising costs and greater competition will be stimulants in this direction.

If, then, one agrees that business is vulnerable because it so largely depends on the high level of activity in the auto and housing fields which cannot go on forever, one must also admit that there are powerful sustaining factors which should hold any let-down next year to relatively moderate proportions. Chances are that 1951 will be a good year, though not perhaps quite as good as 1950.



The latter now has come to be recognized as a period of substantial prosperity, but not for everybody. The boom, rolling on, has by-passed a good many lines of business. We already mentioned that farmers, despite high price supports, are not doing as well as they did at the peak of the postwar boom. And as farmers get tighter with their nickels, farm equipment sales, though now improving seasonally, are lagging behind a year ago for some manufacturers.

Department stores, with sales usually concentrated on soft goods lines, have felt the impact of consumer preference for hard goods. The same is true of textile and apparel lines, of fur coats, jewelry, luggage, liquor, cosmetics, even the entertainment field such as movies and night clubs. In some of these instances, heavy excise taxes also were a deterrent but generally the shift in buying habits has been pronounced, with autos, homes, furnishings, appliances, television sets, etc., taking first place in consumer spending.

Until recently, railroad equipment makers have been complaining of lack of orders and though there has been a mild revival (discussed elsewhere in this issue) their outlook is by no means unclouded. Manufacturers of buses also haven't done so well. Shipbuilding is in the doldrums. Makers of canvas and rubber footwear complain about foreign competition, chiefly from Czechoslovakia and Japan. So do manufacturers of overshoes, already depressed by two successive mild winters.

In short, in the midst of the boom, there have been plenty of soft spots. There is some hope that a buying shift towards soft goods may occur during the latter half of the year, but any such prospects is still rather dimly defined. It may be wishful thinking rather than anything else, particularly if hard goods buying continues vigorous as it likely will.

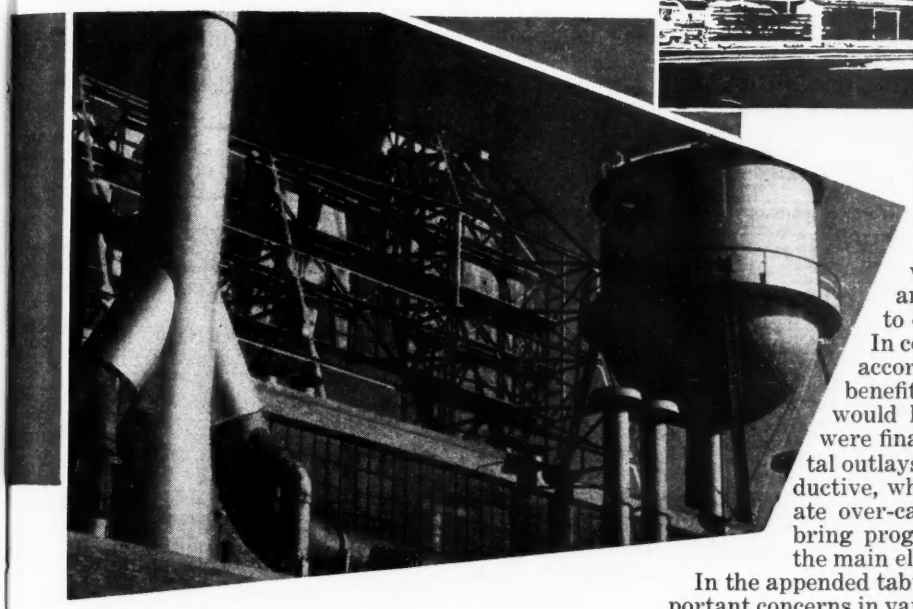
Outlook for Building Activity

In the latter fields, more immediate prospects remain encouraging. Take building activity, for instance. New housing starts (residential) during the first four months of the year numbered over 400,000, providing an excellent backlog for activity in coming months, and there is no sign of immediate abatement. The total for the year should come to around one million units. Building needs are far from filled and activity is strongly supported by ample and liberal mortgage credit. Total new construction (including all types) is running some 16% ahead of last year, which itself was a record year, with residential building about twice as high. Public construction, too, is in a strongly rising trend. Highway requirements are vast, with no real start made yet in filling them. So are unfilled needs for commercial building. Though seasonal fluctuations are again back, and despite a speculative tinge in some building activities which may at times slow down things a bit, the building boom still appears to have a long way to go, though at a less sensational pace as currently.

Then take autos where output for the year is headed for an all-time record of at least 6.5 million cars and trucks, possibly seven million. That is the highest production in history and there is little evidence of overproduction; cars are selling about as fast as they are being (*Please turn to page* 344)

Evaluating . . . . . . INCREASED PRODUCTIVE CAPACITY...





By WARD GATES

The composite picture of American industrial concerns spending upwards of $70 billion in postwar for plant expansion and improvements, with the end not yet in sight, confirms in striking manner the consensus of managerial opinion that such vast capital outlays would prove rewarding. The time has only begun to arrive when the fruits or disappointments from this large scale optimism are being reflected by the operating results of individual concerns. As it is of prime importance to investors, to weigh the evidence thus far accumulated and too project potentials on the road ahead, it seems appropriate to discuss the matter.

While there is no definite rule of thumb to determine what rate of return could be expected to result from sums spent for capital improvements, experience has shown that a large group of leading manufacturing concerns earned about an average of 8% on their total net assets in the nine years preceding Pearl Harbor, 9.6% during the war and 15% in postwar. A conservative assumption might be that most managements in the last few years have confidently anticipated that through increased production and modernized equipment, their swollen net property accounts should yield a return of 10% or better.

Since about two-thirds of the huge increase in net property in postwar was financed by retained earnings, the return from this portion of new investments naturally would benefit common stockholders in due course. As the balance, or one-third of financing, was accomplished through borrowing mainly, improved earnings from this source logically would be allotted for interest and amortization for some time to come.

In considering company situations, accordingly, the amount of potential benefits from net property increases would hinge somewhat on how they were financed; but to what extent capital outlays have proven relatively unproductive, where the expenditures may create over-capacity, or where they should bring progressively beneficial results are the main elements for consideration.

In the appended tabulation we list a number of important concerns in various industries that since 1945 have spent large amounts for capital improvements in relation to their stature at that time. Additionally, we show their respective trends in sales and earnings over the last three years, as well as available earnings per share in the first quarter of 1950. While these data are interesting to study, background factors not possible to present in any tabulation transcend in importance. Hence we will discuss a few of the concerns to bring out more clearly their progress and potentials as influenced by outlays for larger output and operating economies.

Deere & Company

Deere & Company's net property account increased about 164% in the 1945-49 period. Indeed, since 1944 it has almost exactly tripled. The manufacture of agricultural equipment requires large areas, and as the company operates 15 major plants in the United States and Canada, its physical requirements are substantial. In terms of dollars, the company's net costs for expansion and modernization in postwar amounted to approximately $39 million. In 1947 its facilities were measurably increased through purchase from the Government of a war plant in Des Moines, Iowa, with a floor area of about 2 million square feet and at a great bargain.

It is apparent that Deere's heavy investments in plant improvements have already paid off handsomely. In the 1946-1949 period, volume rose from $145 million to $361 million, a gain of 149%. On the enlarged sales and by the installation of modern

equipment, the company's profit margins widened and net earnings per share advanced from $2.46 in 1946 a share to $12.42 in 1949. More significantly, despite a 3% downtrend in sales in the six months ended April 30, 1950, net earnings of $19.5 million compared with $16.4 million a year earlier.

From another angle, Deere & Company is now earning at the rate of 10.7% on sales versus 8.8% at the same time last year, and on its net total assets is obtaining a yield of almost 18%. In reflection of these satisfactory conditions, the directors supplemented the 25 cents per share June dividend with a special of 50 cents and total payments in 1950 should easily match the $5 per share paid in 1949.

The physical growth of Philco Corporation has been notable in recent years, a rise of net property values from $4.9 million in 1945 to $21.9 million in 1949 establishing a gain of 346.9%. In order to keep abreast with heavy postwar demand and to achieve diversification on an increasing scale, Philco has substantially enlarged its facilities, partly by new construction and in part by acquisition of other concerns. The company now operates 23 plants, manufacturing television receivers, radios, electric refrigerators, freezers and electric ranges, to mention a partial list. From our table it will be seen that Philco's 1949 sales of $214 million gained only 76.7% over 1946, while net earnings advanced by only 48.8%, in both instances hardly commensurate with the expansion in facilities.

In studying these comparisons, though, allowance must be made for a marked decline in demand last year for radios, not fully compensated for by the initial growth of television, while in the first half of

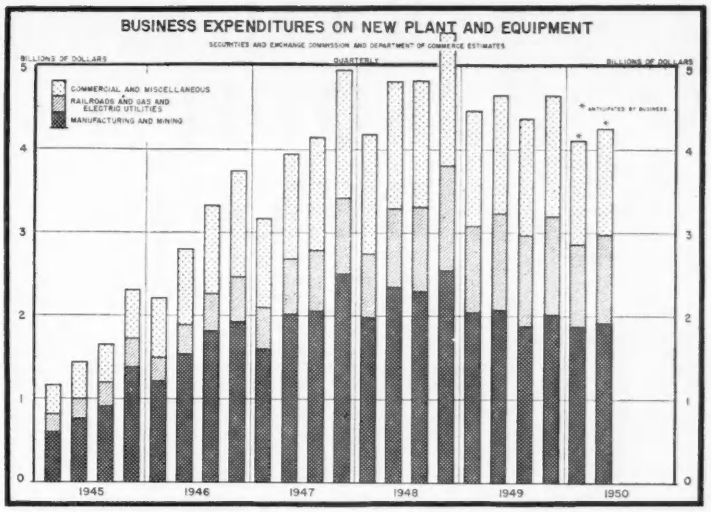
Comparative Changes in Net Property, Sales and Earnings

	Net Property ($ Million)			Net Sales ($ Million)			Net Per Share			
	1945	1949	% Increase	1946	1949	% Increase Over 1946	1946	1949	% Increase	1st Quar. 1950
Allied Chemical & Dye	$47.4	$149.8	215.9%	$280.9	$363.7	29.4%	$12.06	$16.78	39.1%	.....
Allis Chalmers	28.7	49.4	72.1	93.8	351.0	274.2	(d).06	6.99	.....	$1.62
American Brake Shoe	15.4	35.4	130.0	77.6	91.7	18.1	3.51	3.22	8.2*	.78
American Cyanamid	35.1	93.9	167.5	178.9	237.7	32.8	2.90	5.28	82.0	2.78
American Radiator & S. S.	34.0	54.5	60.2	120.0	206.4	72.0	.96	1.80	87.4	.46
American Tobacco	18.7	43.5	132.6	764.1	858.9	12.4	5.96	7.90	32.5	1.43
Atlantic Refining	189.7	271.8	43.2	229.2	446.4	94.7	3.26	9.51	191.7	3.09
Barnsdall Oil	17.8	43.4	143.8	17.0	37.4	120.0	2.30	7.96	246.1	2.19
Bendix Aviation	11.4	23.6	107.0	106.0	182.6	72.2	.37(f)	5.24	1,316.2	1.79
Borg Warner	13.1	39.3	200.0	138.8	252.3	81.7	3.66	9.16	133.4	2.73
Byron-Jackson	1.7	4.0	135.3	10.2	15.2	49.0	2.38	3.52	47.9	.62
Celanese Corp.	62.4	153.2	145.5	135.2	171.2	26.6	2.36	3.19	35.1	1.78
Celotex Corp.	5.2	20.7	298.1	33.1	38.3	15.7	4.17	1.87	55.1*	.21
Continental Can	73.9	113.3	53.3	212.9	335.8	57.7	1.96	3.66	86.7	.....
Crown Cork & Seal	25.4	33.5	31.8	62.2	82.3	32.3	2.10	1.22	41.9*	.04(d)
Deere & Co.	23.8	62.9	164.2	145.2	361.6	149.0	2.46	12.42	404.8	2.27
DuPont	225.3	422.3	87.4	648.7	1,031.9	59.0	2.36	4.52	91.5	1.15
Eastman Kodak	83.2	180.1	116.4	264.4	396.2	49.8	2.85	3.80	33.3	.77
General Electric	35.3	271.4	668.8	679.1	1,613.5	137.5	1.49	4.36	192.6	1.28
General Foods	33.6	64.7	92.5	317.8	474.6	49.3	3.79	4.77	25.8	1.45
General Mills	24.9	44.4	78.2	298.6	410.6	37.5	2.91	5.11	75.5	.....
Goodrich, B. F.	48.6	81.8	68.3	361.4	387.9	7.3	17.69	14.36	18.8*	3.69
Goodyear Tire & Rubber	70.0	116.7	66.7	616.5	633.5	2.9	16.07	8.40	47.7*	.....
Gulf Oil	446.7	693.6	55.2	562.2	969.5	72.4	6.42	8.89	38.4	2.29
Hercules Powder	16.9	36.3	114.8	100.7	120.9	20.0	3.03	3.58	18.1	1.01
Houdaille Hershey	6.9	13.9	101.4	34.5	53.1	53.6	1.35	1.68	24.4	.74
International Business Machines	70.5	164.4	133.1	119.4	183.4	53.5	7.49	12.64	68.7	3.11
International Harvester	107.2	268.3(a)	150.2	482.3	908.9	88.4	1.30	4.36(a)	235.3	.44
International Paper	128.1	153.1	19.5	287.8	415.5	44.3	3.99	7.12	78.4	2.26
Johns-Manville	23.3	67.7	190.5	92.0	162.5	76.6	1.97	4.83	145.1	1.29
Monsanto Chemical	30.5	100.2	228.5	99.6	165.9	66.5	2.37	3.74	57.8	1.26
National Cash Register	12.1	35.5	193.3	77.3	167.3	116.4	1.87	5.92	216.5	1.45
National Steel	132.4	179.6	35.6	239.7	424.8	77.2	2.78	5.34	92.1	1.82
Oliver Corp.	8.5	20.7(a)	143.5	58.5	101.3(a)	73.1	2.04	7.19(a)	252.4	2.46(b)
Philco Corp.	4.9	21.9	346.9	121.5	214.8	76.7	2.13	3.17	48.8	2.37
Remington Rand	12.8	38.9(e)	203.9	147.1	135.9(c)	7.6*	3.39	1.69(c)	50.1*	.....
Ruberoid Company	9.6	15.0	56.2	39.1	50.2	28.3	5.56	8.72	56.8	1.68
Technicolor, Inc.	1.5	4.2	180.0	13.0	20.1	54.6	.48	2.56	433.3	.69
Union Carbide & Carbon	117.1	373.6	219.0	415.0	585.7	41.1	2.03	3.20	57.6	.95
U. S. Steel	702.5	1,356.0	93.0	1,496.1	2,292.0	53.2	2.43	5.39	121.8	1.64
Westinghouse Electric	77.6	160.6	106.9	301.7	945.6	213.4	.65	4.95	661.5	.87
Worthington Pump & Machinery	7.8	14.6	87.1	59.7	88.8	48.7	3.21	5.11	59.2	1.11

(*)—Decreases.
(a)—Year ended October 31.
(b)—6 months ended April 30, 1950.
(c)—Year ended March 31, 1950.
(d)—Deficit.
(e)—As of March 31, 1949.
(f)—After extraordinary credit adjustments.

1949 the company's sales and earnings were broadly affected by the general letdown in dealer demand for most kinds of goods. A more normal comparison of earnings would be with 1948, when Philco's net income of $6.32 per share was higher by about 200% than in 1946.

Still better evidence of improved results is furnished by the first quarter of 1950 showing, when marked public demand for television receivers pushed total sales up to $79.4 million from $53 million the year before, while net per share soared to $2.37 from 48 cents. It seems pretty certain that Philco has been farsighted in improving its facilities on the scale indicated and that as 1950 progresses, a continued uptrend in net earnings will confirm the assumption.



In no period since its formation in 1917 has Union Carbide and Carbon Corporation expanded on such a scale as since the end of World War II. After allowing for annual depreciation charges of around $25 million in recent years, the company's net property values have increased from $117 million in 1945 to $373.6 million at the end of 1949, and further expenditures are planned in the current year. To partly finance this vast program, Union Carbide borrowed $150 million on 2.7% term notes, retained earnings and depreciation reserves supplying the rest of the funds. Thus far in postwar, despite greatly increased capacity, the company's sales have increased only by a moderate 41.1%, although cost-savings and other factors improved net earnings by 57.6%. These gains are rather disparate with an increase of 219% in net physical assets.

In view of the remarkably steady growth for more than 30 years by Union Carbide and an unusually stable earnings and dividend record, it is safe to assume that the management is fully confident that given a little time, its investments in new or improved facilities will reap satisfactory returns. Intensive research in chemicals, plastics and metal alloys is continuously broadening market potentials and should increasingly absorb the output of enlarged facilities.

Recent Expansion Moves

The management showed confidence in this respect by adding $41 million to property of its Chemical and Plastics Division last year and $21.7 million to its Alloys and Metals Division. The benefits from these and former outlays should become progressively apparent, and perhaps substantially so over the nearer term. In the first quarter of 1950, sales of $159.6 million were $2.6 million above the year before, while operating costs declined by $3.7 million, lifting net income to 95 cents a share from 85 cents. These trends lend encouragement to the future outlook.

From our table it might be inferred that the capacity of General Electric Company has expanded at a spectacular rate in postwar, to judge from a gain of 668.8% in net property values since 1945. While it is true that a gain of $236 million attested to very large outlays for plant improvements and research facilities, the percentage figures are misleading in some respects. Back in 1945, for example, original cost of properties had been reduced by accumulated depreciation charges of $268.2 million to a relatively meagre $35.2 million, establishing a low base for comparisons. In terms of enlarged capacity, also, allowance must be made for greatly increased costs for construction and equipment, and that General Electric has spent large sums for new laboratories, as well as for productive plants.

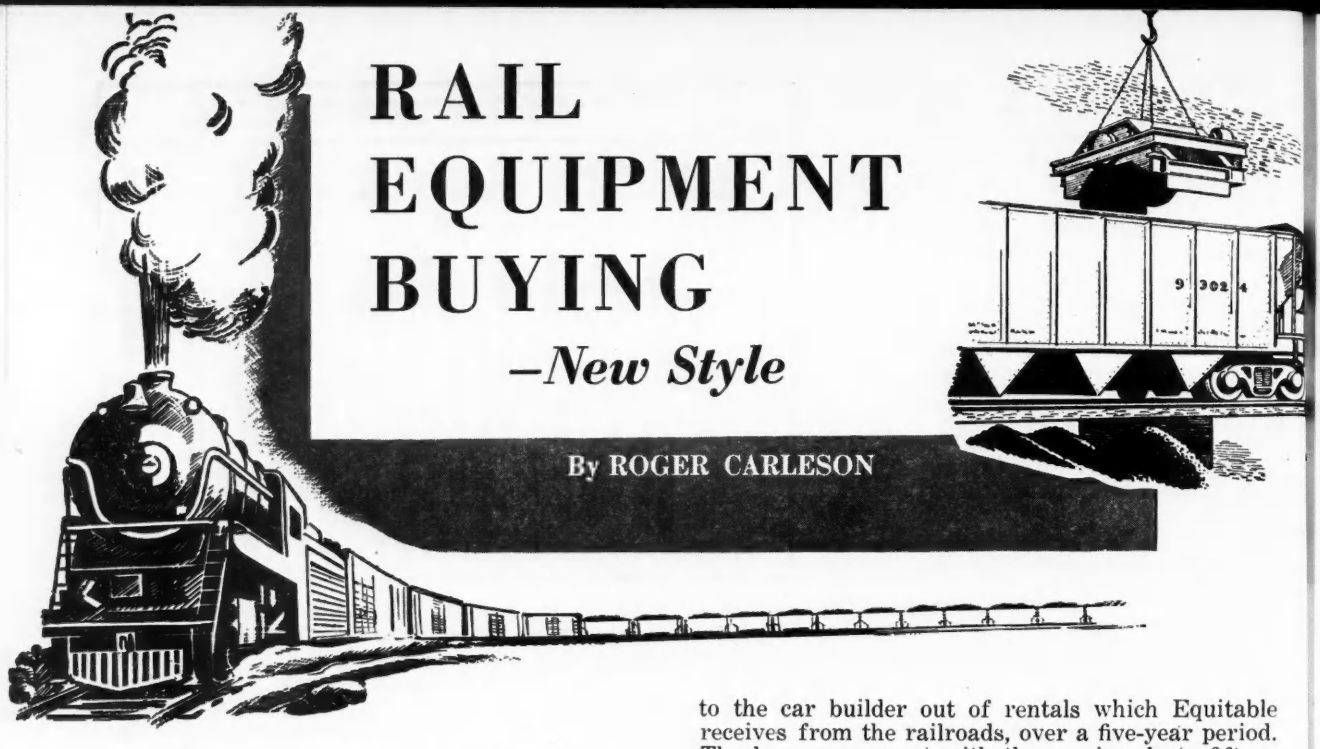
Significance, though, attaches to a rise in earnings of G. E. from $1.49 a share in 1945 to a record high of $4.36 in 1949, a gain of 192.6% while volume in the same span advanced only 137.5%. In the first quarter of 1950, consolidated net sales of $418.4 million were 2% above the same period in 1949, whereas net income climbed by 38% to $1.28 per share versus 93 cents. This shows very conclusively the benefits of improved cost controls and enlarged output.

Debt Pre-Payment

That the management is confident that its capacity will not prove top-heavy in the long term is indicated by plans to expand further some divisions during the current year. Profits from postwar operations, aside from dividends paid, and aided by depreciation reserves, will enable General Electric to pay off the last of $150 million funded debt incurred to finance its expansion program on July 1, 1950, attesting to the company's wisdom in having borrowed on this large scale.

Early in postwar, Johns-Manville Corporation foresaw the advent of a prolonged period in which the demand for building materials would continue at very high levels, and took steps to enlarge its capacity and to streamline operations on a record scale. Since 1945, the company has spent approximately $60 million on betterments of one kind or another, although this is not fully revealed by a gain of only $44.4 million in net property account, or 190.5%. The benefits of this large improvement program come to light when noting that while annual volume since 1946 has risen 76.6%, the increase in net earnings has been 145.1%.

Further evidence of progressive improvement was shown by sales of $39.5 million in the first quarter of 1950 compared with $38 million for the first quarter of 1949, while net earnings per share advanced to $1.29 from 97 cents, a rise of 33%. As highly competitive conditions now prevail in the asbestos and building materials industry, it is quite certain that Johns-Manville has placed (*Please turn to page* 345)



RAIL EQUIPMENT BUYING
—*New Style*

By ROGER CARLESON

Sliding down the steeply declining curve of their rapidly disappearing order backlogs, makers of railroad freight cars last year anticipated with trepidation the day—seemingly not far away—when the sweeping descent would hit bottom and they would be faced with a complete void. By the end of last year, they were not far from it.

Order backlogs for freight cars had vanished to a mere 14,340 units—from 110,822 at the end of 1948, and incoming new orders were virtually nil. The railroads, struggling with their own problems, were placing orders in small trickles only, if at all. The car making industry faced a dim future with the prospect of melting profits and mounting deficits. The manufacture of railway equipment has always been a feast or famine business. Plant investment is heavy, hence overhead charges big. The industry needs fairly large volume to return a profit, and volume was evaporating fast with no indication of an early reversal.

Suddenly, when things looked darkest, there came new hope, a bright spot in the car builders' gloom in the form of an announcement that the Equitable Life Assurance Society was planning to buy a large number of freight cars and lease them to the railroads. It meant new orders for the car builders that otherwise would have stayed on the shelf. For the railroads it meant badly needed new equipment without making the customary 20% down payment.

Both the car makers and railroads were happy. The only ones unhappy were the investment banking firms which normally sell equipment trust certificates—in the past the traditional way of financing the purchase of new rolling stock by the railroads. Last year about $445 million worth of equipment trust certificates were sold. The new Equitable method is bound to put a crimp in this business.

Under the Equitable plan, the railroads put up no cash. When purchasing the new equipment, the insurance company provides 80% of the cost and the car builders the balance. The latter is paid off to the car builder out of rentals which Equitable receives from the railroads, over a five-year period. The lease agreement with the carriers lasts fifteen years and is on a graduated basis of $1.50 per car per day, scaling down to $1 per day or less toward the end of the agreement. After fifteen years, the railroads have the option to continue leasing the cars at the low rate of twenty cents a day. Thus Equitable gets its money back in fifteen years, plus a return of 3% or more. The railroads, without putting up a cent and discharging their obligations on a pay-as-you-go basis, obtain the immediate use of new equipment which enables them to lower their operating costs, an urgent need.

The biggest such deal so far signed was with Pennsylvania Railroad, for 10,000 new freight cars costing some $53 million—the largest order placed with independent car makers in over 25 years. It calls for 5,000 box cars and 5,000 gondola cars, and according to trade sources, the order will be split as follows: 3,000 gondola cars to Pullman-Standard Car Manufacturing Co., 2,000 gondolas to Bethlehem Steel Co.; 2,000 to Pressed Steel Car Co.; 1,500 box cars to American Car & Foundry Co.; 1,000 box cars to General American Transportation Corp., and 500 box cars to Greenville Steel Car Co., a subsidiary of Pittsburgh Forgings Co.

Significance of New Order

The 10,000-car order is regarded as particularly significant in that it marks the spread of the Equitable leasing plan to practically all leading car builders. Previously, Pullman-Standard had been the only manufacturer to use the plan on prior orders which included 1,300 cars for the Atlantic Coast Line, 500 for Delaware & Hudson and 1,500 for New York Central.

Actually, the potential market for the purchase-lease of freight cars to American railroads is just getting started, according to President Parkinson of Equitable Life; and this must be sweet music to the order-starved equipment industry. In the short span of two months during which the Equitable

plan has been in operation, contracts have been signed or are nearing completion with six railroads for 14,600 freight cars costing $77.5 million. In addition, Equitable is currently negotiating with other roads for contracts involving 5,074 freight cars costing $28.3 million.

Considerable Potential Exists Under New Scheme

As one can see, the potential can amount to substantial figures indeed. What's more, other insurance companies are interested in this type of equipment financing and may soon come through with deals of their own. The market, to be sure, is there. The rails are badly in need of new rolling stock and to emphasize this need, Chairman Johnson of the Interstate Commerce Commission has been urging carriers to add 85,000 new freight cars this year and 160,000 a year in 1951 and 1952.

Regardless of whether the rail managements will heed this suggestion, there has already been a sharp pick-up in car orders and order backlogs. As of May 1, total freight car orders placed since the beginning of the year numbered 27,950 compared with 6,248 ordered during *all* of 1949. Similarly, freight car order backlogs on May 1 totalled 32,857 compared with the December low of 14,340. Both figures will swell further as lease agreements are being consummated.

Nor are freight cars the only field of potential application. The Equitable plan will soon be extended to include Diesel locomotives and may ultimately include passenger cars, too. Several railroads and Diesel locomotive manufacturers have already expressed interest in financing Diesel equipment in this manner, and contracts are in various stages of discussion.

Similar to the freight car rental plan, Equitable would make a 90% cash down payment for the Diesels and agree to pay the balance in equal instalments over a period of five years, out of rentals and so long as the rentals for the locomotives are received from the railroad. Interest is paid during that period on the unpaid balance owed to the manufacturer. Equitable would lease the Diesels to the carrier for an initial term of 15 years, giving the railroad an option of returning them at the end of that term or continuing to lease all or any of them for an additional term up to 10 years. Rentals will be paid quarterly.

Obviously, railroad equipment buying—new style—is of triple importance: To the equipment industry it gives a new lease on life. It enables the railroads, hard pressed as they are, to complete and expand their modernization programs — a prime necessity if they want to compete successfully with other forms of transportation. Third, but not least important, by sustaining capital goods activity (especially also if the idea should spread to other capital goods financing), it may prove a by no means negligible factor in helping maintain high level economic activity. And appealing as it is, it *could* spread to other fields.

As far as the rail equipment industry is concerned, one must guard against seeing in the new scheme a cure-all. The industry has been in trouble because the railroads were in trouble. The latter had a bad year in 1949 and were in no mood to order new rolling stock except Diesel locomotives. Other equipment ordering was cut sharply, even for passenger cars. And as orders dwindled, equipment makers were forced to review their future.

It brought a few shocks for investors, too. Baldwin Locomotive last March cut its dividend since its order backlog was melting faster than new orders were coming in. And around the same time, American Car & Foundry deferred dividend payment on its preferred stock, (*Please turn to page 341*)

Statistical Data on Railroad Equipment Companies

	Order Backlog*	Net Sales 1949 ($ million)	Net Sales 1948 ($ million)	Net Per Share 1949	Net Per Share 1948	Net Per Share 1st Quar. 1950	Dividends 1949	Dividends 1948	Div. Yield† %	Price-Earnings Ratio‡	Recent Price	Price Range 1949-50
Amer. Brake Shoe	$15.8	$91.7	$120.1	$3.22	$4.42	$ .78	$2.00	$2.50	6.1%	10.2	32⅞	35 -30½
Amer. Car & Foundry	61.0	219.6(a)	131.3(a)	4.85	3.47	2.09(b)	3.00	3.00	11.5	5.3	26	33½-21½
Amer. Locomotive	43.0	147.2	143.9	2.50	2.30	.47	1.40	1.40	9.2	6.0	15¼	18⅞-12⅜
Baldwin Locomotive	39.9	119.0	126.4	1.41	1.26	.35	.75	1.00	6.8	8.0	11⅛	13⅜- 8⅝
Budd Co.		266.6	219.5	4.12	2.48	1.15	.70	.45	4.0	4.2	17½	17⅞- 7½
General Amer. Transp.		109.9	97.4	5.62	5.73	1.17	3.00	3.25	5.8	9.1	51⅝	53¼-41¾
General Railway Sig.	(c)	11.5	14.8	2.54	3.88	.49	1.75	2.00	8.2	8.3	21¼	24⅜-15¼
Lima-Hamilton		43.8	60.9	.86	2.18		.60	.63	6.6	10.4	9	10¼- 6⅝
New York Air Brake		15.8	18.6	4.91	6.35	.64	2.00	3.50	7.0	5.7	28½	33½-24¼
Poor & Co. "B"		19.2	23.0	1.97	3.33	.42	1.50	1.50	11.1	6.8	13½	14½- 8⅞
Pressed Steel Car		41.2	57.6	1.43	(d)2.36	(d).47				6.6	9½	10¼- 4⅝
Pullman		234.6	285.9	2.42	3.18	.43	2.00	2.00	5.5	15.0	36⅜	39¼-30⅛
Symington-Gould		10.0	15.4	.66	.28	.27	.50	.50	6.6	11.3	7½	7½- 3⅝
Union Tank Car		16.4	18.9	3.31	3.77		2.60	2.60	8.0	9.8	32⅜	36¾-30⅜
Westinghouse Air Br.		76.0	89.9	3.14	5.00	.52	2.00	3.00	7.5	8.4	26⅞	36¾-21¼
Youngstown Steel Door		9.6	18.2	1.05	3.02		1.00	1.50	6.4	14.8	15⅝	15⅝-10½

*—Latest available figures.
†—Based on 1949 dividends.
‡—Based on 1949 earnings.
(a)—Year ended April 30.
(b)—6 months ended October 31, 1949.
(c)—As of April 25, 1950, Company announced a backlog of approximately 6 months' business.
(d)—Deficit.



Happening in Washington

SMALL BUSINESS OPPOSES AID PROGRAM

By E. K. T.

POLITICAL fireworks are likely to explode late this month when President Truman addresses the national convention here of American Newspaper Guild—the CIO-affiliated union of newspaper editorial workers. The scene will be reminiscent of FDR's talk to the Teamster's Union in 1944, when he selected that forum to launch his campaign. A union convention is regarded a sure-fire vote getter; strangely Mr. Roosevelt was the only President up to now to take advantage of it. Mr. Truman already has the Guild in his corner, so it's obvious that his talk will be beamed to a larger audience. Newspaper "owners" (carefully excluding the "workers") are in for a lambasting.

WASHINGTON SEES:

Pointed questions will be asked on Capitol Hill before approval is given for this country to join with Marshall Plan nations in formation of the Organization for European Economic Cooperation, to come into existence at the termination of ECA in 1952. Principal interest will run to the inquiry as to what extent material aid will be expected, for the present disposition of congressmen is to adhere to the fixed 1952 breakoff point insofar as money is concerned.

If assured that United States money will not be expected, congress probably will indorse limited, informal participation in solving the problems of Western European countries seeking to square their accounts in the dollar areas without prostrating their domestic economy.

The Organization is envisioned as a coordinating force, whose object is to knit the Marshall Plan countries more closely for mutual economic protection. The part the United States and Canada must play has been suggested in the reminder by Robert Marjolin, secretary-general of OEEC: "European problems are inseparable from those of the whole western world and, in particular, the dollar shortage must be dealt with on a world scale."

Washington probably will want to be positioned close enough to the operations to observe trends affecting this country's international trade—in both directions. And the over-riding interest, naturally, is to let nothing happen that might encourage further spread of communism.

ADMINISTRATION program to aid small business by extending government insurance to 5-year loans up to $25,000 is being opposed by one of the groups relied on to proclaim and indorse it—National Small Business Men's Association. Excessive taxation is the fundamental reason small business in this country is in need of financial aid, and government lending like government spending is financed by taxation, the national association warns. And it has a substitute program to offer Mr. Truman: "Curtailment of excessive and unnecessary federal spending and revision of the tax statutes." Results of a national poll will be submitted to congress when the bill comes up.

HOOVER COMMISSION proposals so far adopted by congress total up to 35 per cent of the entire plan of government reorganization envisioned by the former President and his task committees, when the results are viewed from the numerical standpoint. But from the viewpoint of relative importance, there is much ground to be gained. The White House carefully selected items for congressional attention. Republicans say those chosen represent both extremes in expected resistance: those which were assured of pro forma adoption, and those marked for defeat from the beginning. Senator Taft points out none which would effect financial saving has yet been submitted.

SIGNIFICANT fact to be gleaned from primaries already conducted, and they represent a large share of the states, is that no sitting member of the House of Representatives who sought re-nomination has been turned down by his constituency. That goes for both republicans and democrats. It must be accepted as meaning that the house cannot be made the "goat" in the next campaign; if it isn't the best in history, it at least is a satisfactory one to the people.

As We Go To Press

Eye-opener for congressmen and war veterans alike is the Tax Foundation report on bonded debt of the states. It's receiving not only circulation but also attention among the legislators, already cool to the idea of a general bonus for former servicemen and it will be quoted liberally if the Rankin Bill comes to the floor. Placing the debt of states at the all-time high of 4.1 billion dollars in 1949, the Foundation says the total still is mounting, and it spotlights veterans bonus as a principal cause.

In 1947, state legislatures appropriated nearly half a billion dollars under the pressure of organized drives for bonuses -- a year in which the bonded indebtedness of the states went up 688 million dollars. In sharp contrast to the gratuities voted to the servicemen, only 35 million dollars was spent for new schools, hospitals, and other public institutions. In 1948, new bonuses added 516 million dollars to state obligations, leaving only 52 million dollars for institutions. In the first three months of this year, seven states have issued a total of 593 million dollars in bonds to meet bonus payments.

The dilemma of big business has been put about as well by James B. Carey, agile-minded secretary-treasurer of the CIO, as it has ever been stated by any professional economist. As usual, no cure is suggested. Says Carey: "For instance, the General Motors Corporation. General Motors is put in the position that if they reduce prices of automobiles they will be charged with taking too much of the automobile market and will be considered a monopoly. If they pay out more dividends, they will be considered as profiteering, because the dividends they are paying out already are enormous. And if they increase wages, they will be placed in the position of embarrassing other automobile manufacturers."

Carey, obviously, wasn't shedding tears for management. His argument went to the point that the bulk of the affected money should go into employer-maintained pension accounts, and that brought the suggestion from Robert N. Dehman, general counsel of NLRB: "If you have 10 million persons on pensions -- and that is rather imminent -- at the underwriting cost of 18 to 20 thousand dollars per person, to carry them through their life expectancy, you are going to have 200 billion of reserve funds to invest some place or other, and there aren't half that much securities in the United States."

Proving that it's never safe to count a legislative project out of the running simply because congressmen are growing impatient to get away from Washington, is the experience of the basing point bill. It had a topmost spot in Capitol Hill controversy for many months. Even if not principally intended as another attack on "bigness" in business, it had that effect -- it was a proposal to allow steel, cement and other companies to reinstate their basing point pricing and it drew the fire of the Administration and multiple "little business" groups.

Fundamentally, it was legislation to overcome a Supreme Court decision upholding the Federal Trade Commission's finding that base point pricing was being used to violate the antitrust law. The house approved it with comparative ease, but it bogged down in the senate until early this month, when it was sent to the President for his consideration.

The White House throughout the campaign on this proposal pretended to maintain a hands-off policy. But President Truman takes the position that all departments and agencies are on his "team," must have his support in all their

performances. Naturally, agency heads who are his personal appointees have his friendly ear. And he's suspicious of congress anyway. The Administration failed, however, to kill the bill on the legislative floor.

The program of excise tax reductions is just about at a stand-off today. Interest seems to be lost in the great crusade which prompted the ways and means committee to double Mr. Truman's suggested 600 million slash in these special taxes. Part of that attitude is accounted for by the fact that the general economy program fell down badly and those entrusted to carry the fight on excises are taking a "what the heck" view. The original justification offered for reductions -- that business needed the shot in the arm -- has been made difficult to sustain by this year's reports on earnings; and the tax slashers are being reminded of that fact. All of which adds up to the likelihood that a veto by the President might be sustained.

The "pressing and immediate need" which prompted congress to provide a new low-cost housing program hasn't been attacked yet -- and the first anniversary of enactment of the legislation is at hand. The goal for the first year was 50,000 units. Not a single one has been started! Some projects are in the planning stage, won't be under way for months. In 28 cities, referendums on whether to accept government assistance for this type of work were rejected.

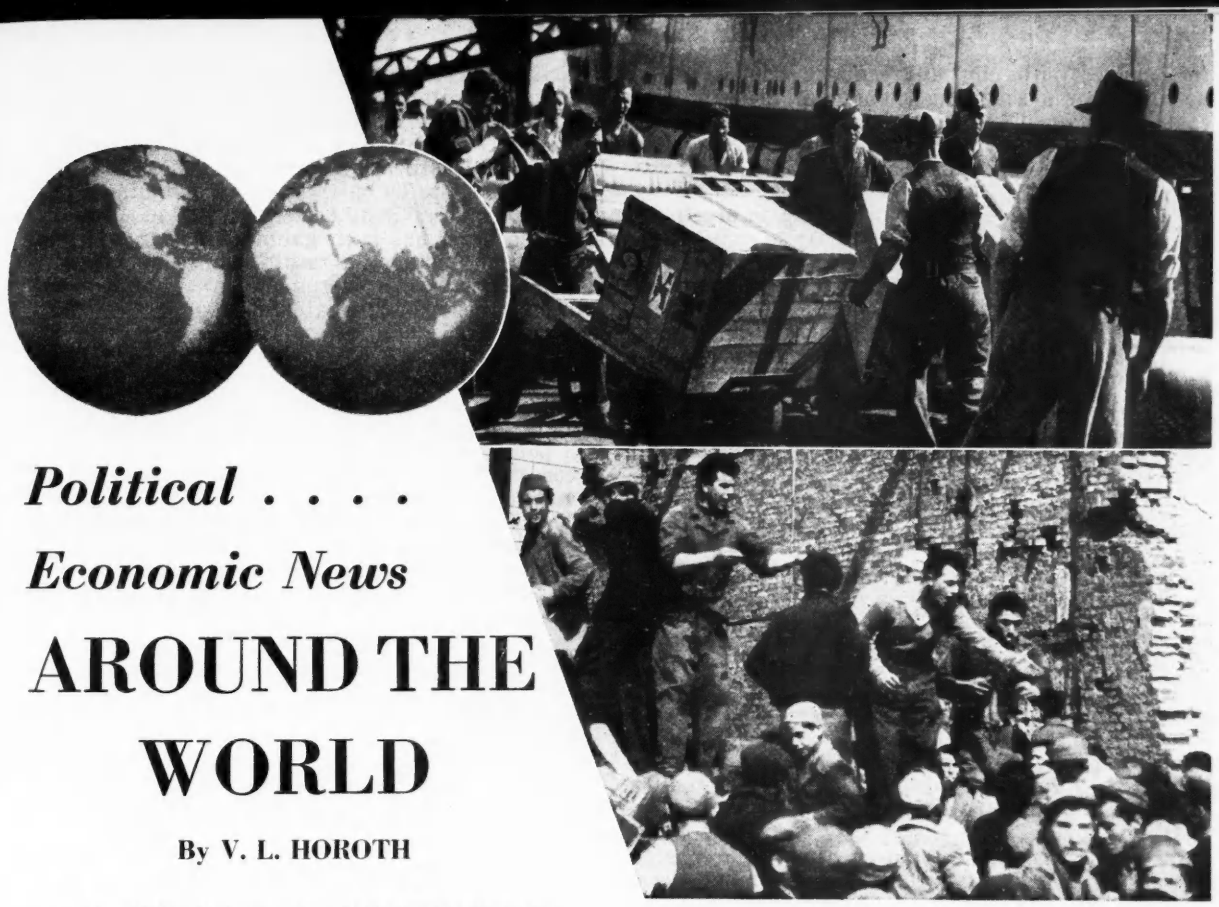
One of the most interesting stories of building financing adds a new chapter this year. Slightly more than two decades ago, the National Press Building Corporation was organized to construct a "home for the press" at Washington's most valuable corner -- 14th and F Streets, Northwest. Congress passed a special act to permit a building one story higher than the zoning maximum of 12, the top floor to be given rent-free to the National Press Club as an attraction to bring newspaper correspondents in as tenants. The Club was given 85 per cent of the common stock and the project was financed largely by the sale ofsenior securities to publishers.

Less venturesome financiers considered the program somewhat on the fantastic side. Now, less than 25 years later, the originally set sights have been reached. The tenants, including not only correspondents but also the Capital's largest theatre, a business college, and the Federal Deposit Insurance Corporation, have paid in sufficiently to retire the senior obligations. The National Press Club is taking over ownership on the basis of the comon stock, subject only to a mortgage which is a fractional part of the estimated 15 million dollar asset. And the Club hadn't one cent of investment!

There's never a lull in the business of political speculating in Washington. Latest happening to invite conjecture is the announcement that Lewis W. Douglas desires to leave his post as Ambassador to Great Britain, leaving open the most sought-after diplomatic post within the gift of the White House. Mentioned only to indicate a popular line of thinking, rather than to suggest that either could get the job, or would take it if offered, are the rumorings carrying the names of Senators Brien McMahon and Millard Tydings.

Both McMahon and Tydings come up for re-election next November. But the speculators aren't mentioning the appointment in terms of reward for service "on the Hill" -- it's all political. The hopes of the democrats in Connecticut are tied to McMahon's candidacy. Gov. Bowles barely won two years ago and he and his recent appointee to the Senate, William Benton (who also must run again) are being attacked as "carpet-baggers" in the Nutmeg State.

Oddly Bowles is believed to have more national strength than he has in Connecticut and, say the guessers, Mr. Truman could kill him off politically by taking McMahon out of the senatorial contest. As for Tydings: he has been, and will be, an active candidate against Mr. Truman for the nomination. The President is very friendly with McMahon, cool toward Tydings, cold toward Bowles.



Political . . . .

Economic News

AROUND THE WORLD

By V. L. HOROTH

— IS THE COST OF GOVERNMENT REALLY LOWER IN CANADA?

Is economy possible in today's cold war world? Those who claim that it is, usually point to the postwar record of the Dominion of Canada — a country where economic conditions are more like ours than anywhere else in the world. While we are faced with a huge bulge in our Federal expenditures and the largest peacetime deficit on rcord during the next fiscal year, Canada's budgetary outlays during the fiscal year that started April 1st are expected to be actually lower than last year's, despite a substantial increase in national defense and welfare expenditures.

Moreover, the next Canadian budget will again be balanced — as all the postwar budgets have been thus far — despite tax reductions in every single postwar year. As a result of these reductions, the Canadian personal income taxes, which during the war were considerably higher than those in the United States, are now about the same in the higher brackets and lower in the middle and the lowest brackets. And excise taxes on transportation and soft drinks and various other "nuisance taxes," the scaling down of which is only now being considered by various congressional commitees in this country, were reduced or repealed by Canada more than one year ago.

It has been estimated that the five postwar tax reductions saved Canadian taxpayers some $1.3 billion — an amount which represents 43 per cent of Canada's peak wartime tax revenues ($3.0 billion in 1945-46). In the same period there were only two tax cuts in the United States, equal to about 23 per cent of our peak wartime revenues ($45 billion in 1944-45). Moreover, the Canadian gross funded debt, which is most nearly comparable to our federal debt, has been reduced every year since 1946, and last March was nearly 10 per cent down from the peak. A similar debt retirement put into effect in the United States would have resulted in a reduction of our public debt by about $25 billion.

Is Canada doing, on the basis of the above figures, a much better job in managing her fiscal account than the United States, and if so, why? Without going into complicated details, this can be said: (1) the Canadians treat certain capital transactions, such as loans to veterans or to foreign countries, as extra-budgetary expenditures. They have a special account for them. Were these capital expenditures counted in, as they are in our federal budgets, the budgetary surpluses would be much smaller or nonexistent. (2) Living next door to a country determined to be militarily impregnable and an arsenal of democracy during the "cold war," Canada can afford to spend less on national defense and international aid. These two items cost the U. S. taxpayer nearly $19 billion or $127 per capita during the 1950 fiscal year; they cost the Canadian taxpayer about $500 million or only $36 per capita.

Canada has, thus, a far lighter "cold war" burden to bear. On the other hand, Ottawa is much more aware than Washington of the vital need of keeping down the cost of government by holding down other outlays in proportion to the rise of national defense expenditures. Mr. Abbott, the Minister of Finance, said that this was no time to raise taxes in view of

the business situation, and that the country could not indulge in spending money on projects that could wait when the business of national defense had to be attended to first. In this, we have a lot to learn from our northern neighbors.

The Aftermath of the Coffee Boom in Brazil

More and more people are expressing concern as to what will happen in Brazil when the current coffee boom peters out, so much so that the possibility of a cruzeiro devaluation is being discussed again.

The truth is that the doubling of coffee prices last year from 26 cents a pound to the level of about 50 cents has not been an unmixed blessing. Brazil's international payments have unquestionably been strengthened. Between a drastic cut in imports from this country, and the increased prices and shipments of coffee, which must have brought at least 150 million extra dollars, Brazil has built up an unprecedented favorable balance of trade with the United States during the last ten months. The bulk of this export surplus of some $270 million has been used to reduce Brazil's backlog of commercial debts owed in this country (at one time $140 million) to an almost normal level.

The coffee growing areas, skipped by wartime booms, have naturally profited greatly. They are sprucing up. Coffee pickers who went to the cities during the war boom are returning, and the once-neglected coffee orchards are being given better care. But higher coffee prices have put a lot of purchasing power into the pocketbooks of coffee growers and merchants, and even more purchasing power is being generated by the Brazilian Federal Government, now running a deficit that would be equivalent to at least an $8 billion deficit in the United States.

Thus between high coffee prices and the Government deficit, the inflationary spiral in Brazil is being given another twist — and as a result, Brazilian prices and production costs are even more out of line with the world level of prices and costs than they were before.

Should the price of coffee or any other major Brazilian export product, such as as cotton, drop, the repercussions would be far more disastrous than prior to the recent price rise, and might, if drastic enough, force the devaluation of the cruzeiro. As a matter of fact, the outlook is none too happy.

The old coffee stocks have been cleaned out, and thus the future earnings of dollars will be dependent entirely on the size of the current crops. The next coffee crop in most of the growing areas, including Colombia and Central America, will be somewhat smaller. Hence the drop in coffee prices may temporarily be averted if present demand in this country (in turn highly dependent on the maintenance of high income levels here) is sustained. But the question is, for how long?

Dangerous Squabbles Among the States of Southeastern Asia

Growing pains, explosive nationalism, social unrest caused by great inequalities of wealth, and the administrative disorganization that has followed the withdrawal of white colonial administrators, have been making for a number of weak spots in the countries of Southeastern Asia which Moscow is always eager to exploit. Indo-China is, of course, an extreme example of what such unleashed forces can result in. Burma is another country where economic activities and foreign trade have almost collapsed. But there are brighter spots.

Siam seems to be on the way of becoming a sort of Switzerland of Southeastern Asia, and American influence there has been gaining. A change is also apparent in India as a result of the changed attitude of the present Government toward nationalizatoin of industry, belt-tightening insofar as imports are concerned, and sweeping administrative reforms. The reconciliation between India and Pakistan is another constructive step.

This statesmanlike move was followed by the signing late in April of a trade agreement which will permit the restoration of the flow of trade between the two otherwise economically highly complementary countries. Their trade almost ceased when Pakistan refused to devalue her rupee last September. Indian cotton and jute mills will again be provided with raw materials, while the Pakistani farmer will be able to obtain industrial products at lower prices.

But while the tension between India and Pakistan did relax, new friction developed, this time between Pakistan and Afghanistan, a mountainous kingdom with about 10 million people, primitive farming and livestock industry, but a great wealth of undeveloped natural resources, including non-ferrous metals and probably petroleum. However, Afghanistan's geographic position is unfortunate: It has no sea outlet and — it borders on the Soviet Union.

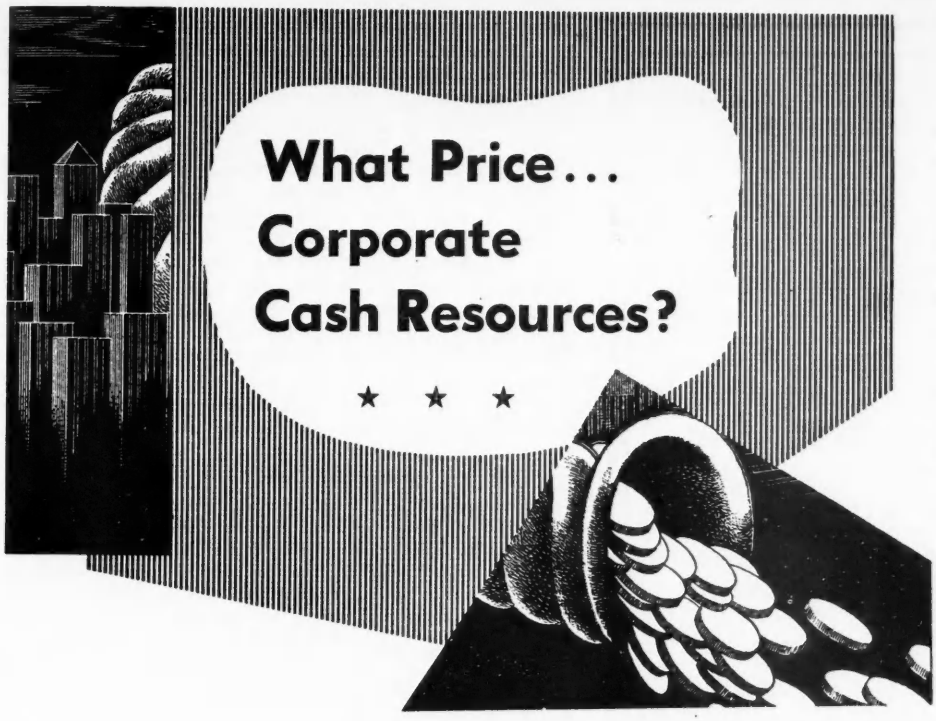
Since Pakistan, a relatively weak dominion, has replaced the British Raj in India, Afghan nationalists have advanced a claim to the so-called Northwestern Provinces, a mountainous part of Pakistan, inhabited by wild Pushtu tribes, closely related to the Afghans. And Afghanistan also wants a sea outlet — a corridor through Baluchistan — another Pakistan province — to the Persian Gulf.

In retaliation Pakistan has, to all intents and purposes, closed the Afghan border. This means that Afghanistan is not getting any Western products nor, for that matter, any munitions or gasoline. Afghan exports, half of which used to go to the United States (they consist chiefly of caracul skins, carpets, and carpet wool), have difficulty in moving out.

Partly because of necessity, and partly because of truculence, the Afghans have been turning to Russia, although they were very much interested in American hydro-electric and factory equipment. A big Russian mission is now in Kabul, the capital, negotiating a trade treaty. Among other things, the Russians are reported to have promised to extend the only Afghan railway line to the Persian Gulf, if and when the corridor idea materializes. Unless the Afghans take care, they may be taken in by that old Trojan trick yet.

European Payment Union Goes into Effect July 1

Two practical steps toward economic integration and joint economic actions on the part of Western European countries have been proposed thus far. One is the European Payment Union, and the other is the Schuman Coal and Steel Pool. After much discussion, the British finally decided to join the former, the EPU, which (*Please turn to page 340*)



What Price... Corporate Cash Resources?

★ ★ ★

By PHILLIP DOBBS

The significance of corporate treasuries well loaded with cash or Government securities is sometimes unduly magnified by a casual acceptance of the figures as a hallmark of conservative, farsighted and efficient management. More often than not, of course, such an assumption is quite valid. On the other hand, situations now and then occur where accumulation of cash or equivalent seems topheavy, in view of moderate earning power, limited dividends or the absence of concrete plans to put the money to work profitably.

It is of interest to investors, therefore, to study lush cash holdings with some discrimination, since special reasons may account for their existence. Year-end balance sheets and annual reports may reveal that heavy reserves for income taxes mainly accounted for swollen bank deposits or large holdings of marketable securities, or that forward looking programs for new construction or modernization will eventually absorb additional capital.

Retirement of funded debt or preferred stock also might be in the planning stage, or constructive steps to acquire other businesses for the sake of diversification. Any of the foregoing circumstances, as well as the prospect for stabilizing liberal dividends in leaner times, should create confidence in situations where working capital importantly bulwarked with cash is present.

In contrast, there are some concerns that have piled up sizable cash resources for less plausible reasons, sometimes even unwillingly and seem either content or forced by circumstances to hold them for an indefinite period rather than employing them in business. Frequently this has happened through disposal of large subsidiaries for one reason or another, rather than by retention of a substantial share of earnings. There are a number of very rich firms, though, that through retained earnings have built up such big portfolios of marketable securities that they function almost as investment companies rather than business enterprises. While excellent earnings may have been achieved over the years, it is apparent that in some cases increasingly liberal dividends could have been paid with entire comfort and that there was little need to hoard huge amounts of cash that were employed to produce a limited return.

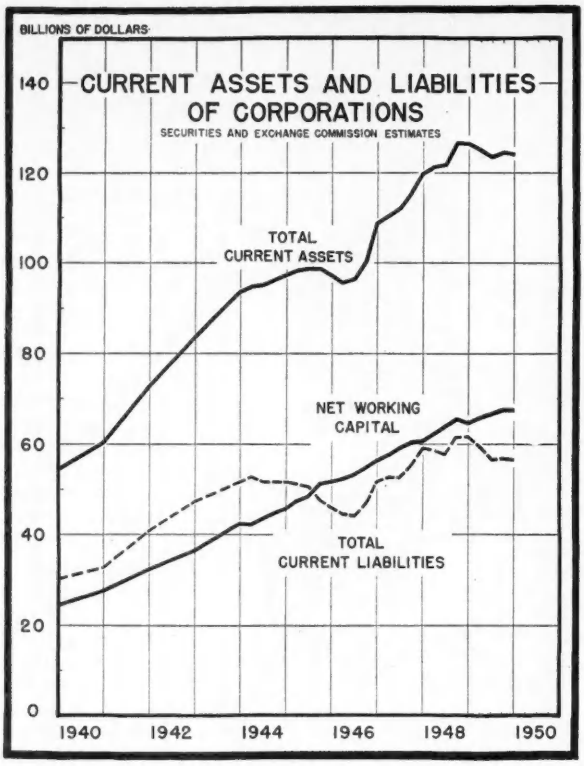
To provide for unpredictable emergencies on such a scale may have seemed conservative and established a flavor of solidity for long term operations, but in some instances it could also point to lack of imagination and aggression by management or a mere desire to get fat. The same would apply to a concern overburdened with cash for any reason and faced with prolonged doubt as to how to solve the problem.

On the appended tabulation we list a number of concerns with plentiful cash resources relative to over-all working capital. To clarify the picture further, we show book values, current ratios, earnings, dividends and share prices. Since to some extent, these factors are of interest in studying the various situations and in every case there are broad and varying reasons accounting for the affluent status of the different companies, we will discuss a few in more detail.

Hercules Powder Company

The financial position of Hercules Powder Company is unusually strong with $25.7 million of cash and U. S. Treasury notes representing a major portion of $38.2 million working capital. These liquid resources alone would cover current liabilities of $13.9 million almost twice over. Such a comfortable position, however, has been achieved as the result of a long growth record marked with frequent steps to diversify production that have involved and still involve heavy capital outlays. Output of powder, the original basis of operations, now accounts for only about a fifth of total activities, with organic chemicals, cellulose products, synthetics and naval stores accounting for the major portion.

Last year, the company spent $7.4 million for new construction and about as much in the preceding year. In 1950, outlays in this direction will be somewhat higher, and ample funds are available to pay for them without borrowing. Such aggressive policies have paid off well with this concern, as shown by a growth in volume from $32.9 million to more than $120 million in the last two decades and an unbroken dividend record since 1913.



Stockholders in Hercules Powder Company can hardly complain over a too large accumulation of cash, as payments last year of $2.60 per share were 16% higher than in 1948 and were 72% of net earnings, while the strong financial position of their company has just induced the directors to make a quarterly distribution of 55 cents a share compared with 45 cents formerly. In addition, a year-end extra may be expected.

The large amount of excess working capital at the command of Curtiss-Wright Corporation has for several years past been a matter of controversy between numerous stockholders and the management. Even though the amount has been pared down considerably in the last few years, net current assets of $78.1 million which included $63.3 million of cash and marketable securities at the end of 1949, were far and away above the company's immediate needs.

Here we have a company that for many years prior to 1938 operated with negligible profits or actual deficits, but under the stimulus of World War II piled up an aggregate net income of more than $100 million in six years. Since the termination of hostilities, annual net earnings have averaged about $2.3 million, mainly due to sizable tax credits in 1946 and 1947, for operations were heavily in the red in those two years.

Curtiss-Wright Corporation

Last year, the management of Curtiss-Wright was thoroughly overhauled and under new direction, the company may find some constructive manner of using its over-ample cash resources, but the former management admittedly did not consider it wise to diversify operations into any field not directly related to the aircraft industry. To satisfy disgruntled stockholders, however, the company acquired through tenders substantial amounts of Class A and common stock that absorbed about $8.4 million cash, and in the last two years paid dividends on the common largely out of accumulated earnings. Due to these combined moves, net current assets were reduced by $25.2 million in the 1948-49 period.

At the start of 1950, backlog orders of $132.7 million, mostly of military origin, were slightly higher than a year earlier, but due to profit limitations on Government contracts the company's earnings potentials are uncertain. Valid doubt as to the permanency of dividends at the current annual rate $1 per share compared with 1949 earnings of only 46 cents, accounts for a current yield on the shares of 10.9%. The new management is experienced, aggressive and competent, but has yet to prove its ability to use its abundant cash resources to produce satisfactory and stable earnings.

International Tel. & Tel.

International Telephone and Telegraph Corporation presents another sample of an apparently unneeded accumulation of working capital, and the amount tends to increase rather than the reverse. On December 31, 1949, the company on a consolidated basis had $182.6 million current assets, exclusive of $15.7 million Spanish Government 4% U. S. dollar bonds, compared with current liabilities of $66.8 million. Holdings of cash (at home and abroad) plus U. S. Treasury notes and $2 million Spanish bonds due within a year totaled $44.2 million. This aggregate will mount as annual payments of principal ($5.84 million in 1949) are received from Spain and $4 million notes of an Argentine subsidiary are amortized each year until 1955. Arrangements have been made with the Argentine Government to supply the necessary dollar exchange for the program mentioned.

I. T. and T. accordingly will have an increasing problem of how to dispose of its mounting cash resources. While some of its Caribbean and Latin-American subsidiaries may need financial aid for expansion, as might also be the case in lesser degree with its cable and telegraph subsidiaries, a number of European units have been nationalized without compensation to date and consequently are out of the picture.

Expansion into Television

The parent company is using its broad experience in electronics to expand in the radio and television fields, as shown by acquisition of the Farnsworth Television and Radio Corporation last year, but can hardly use its ample cash resources to any really substantial extent for this purpose. As matters stand, the company's activities have perforce approached almost a relative liquidating status, at least for the time being, and as its earnings capacity for the past fifteen years has been unimpressive, there is little to suggest the management will do much better in the future despite a rich treasury position.

Between large amounts derived from depreciation charges and surplus earnings, Kennecott Copper Corporation gradually accumulated very large holdings of cash and Government securities. Against current liabilities of $37.3 million on December 31, 1949, holdings of $56.7 million cash and $137.9 million U. S. Government securities loomed exceedingly

great. Even so, the company last year had spent $34 million for construction of a new refinery in Utah, for new warehouses and for new equipment in its fabricating division. Plans envisage an eventual outlay of perhaps $30 million for the development of the Quebec Iron and Titanium Corporation in which Kennecott owns about an two-thirds interest, as well as $7.5 million in connection with a gold mining venture in South Africa, but these totals would hardly dent the company's ample cash resources.

As the copper mining industry is highly sensitive to cyclical influences, it is rational for Kennecott to have built up large reserves to offset potential inventory losses and other contingencies that may arise in poor times. Adherence to these policies enabled the company to distribute dividends in excess of earnings in 1930 and 1931, although payments were allowed to lapse in the 1932-33 period. In the last fifteen years, a liberal share of earnings have been paid to stockholders, but amounts retained together with heavy reserves swelled the company's treasury at a rapid pace.

While the company's postwar expansion policies indicate commendable aggressiveness and readiness to take well calculated risks, its present exceptionally lush cash position might suggest over-caution against any emergency that might arise, and that a time had come when a substantial share of accumulated cash should be passed along to stockholders rather than being invested for them in low-yield government bonds.

Ever since Pullman Incorporated disposed of its sleeping car division in 1947 to a group of railroads for $40 million, after receiving $65 million more in the previous year in the form of liquidating dividends derived from sale of sleeping cars by the Pullman Company, the question of what to do with all that cash became acute. Stripped of all activities except the manufacture of freight and passenger cars, Pullman, Inc. literally found itself with a "cross of gold" on its hands, with working capital excessively ample for all current requirements.

Although rumors occasionally crept out that the management was considering diversification into an unrelated field of activity to utilize its surplus funds, the probably wiser course was adopted of purchasing large amounts of Pullman stock in the open market to adjust the capitalization more in line with the more restricted operations. In a way this was no novelty, as since 1941 Pullman Inc. had implemented similar policies in a moderate manner.

Pullman, Inc.

In the nine year period from 1941 through 1949, Pullman, Inc. purchased and retired 1,544,489 shares of its own stock at a cost of about $64.5 million, thus reducing the amount of shares outstanding by 40%, and substantially ridding itself of much cash in the process. In the current year an amount of about $2.4 million previously authorized remained to be spent for the same purpose, and it is likely that stockholders will approve a further continuation of the program.

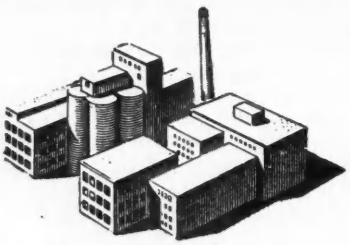
In support of this surmise, the company's working capital of $116.9 million on December 31, 1949, included no less than $77.4 million of cash assets and its current ratio showed as 8.1. As the net cash asset value per share is $34.84 compared with a closely similar market price, it is (*Please turn to page 340*)

Statistical Data of Selected Companies with Large Cash Resources

	Net Working Capital* —($ million)—	Cash Assets	Net Cash Assets Per Share†	Book Value Per Share	Current Ratio	Net Per Share 1949	Net Per Share 1948	Div. 1949	Recent Price	Div. Yield‡ %	Price-Earnings Ratio
Allied Chemical & Dye	$118.9	$98.1	$44.27	$131.39	3.8	$16.78	$14.35	$10.00	252¾	3.9%	15.1
Anaconda Copper	199.1	123.2	13.82	70.78	6.4	3.14	6.16	2.50	33⅛	7.5	10.5
American Viscose	93.5	80.9	28.60	85.17	3.8	9.33	13.65	4.00	81	4.9	8.6
Bethlehem Steel	382.4	314.4	5.38	69.88	2.7	9.68	9.36	2.40	37¼	6.4	3.8
Curtiss-Wright	78.1	63.3	9.53	13.32(a)	3.5	.12	.46	1.00	9⅛	10.9	76.3
Douglas Aircraft	57.7	37.4	56.95	123.97	3.4	9.19	9.72	9.25	79¾	11.6	8.6
General Electric	393.4	322.4	6.17	23.61	2.3	4.36	4.29	2.00	49⅛	4.1	11.2
Gulf Oil	205.8	121.3	.....	73.10	2.4	8.89	13.53	3.75	68⅞	5.4	7.7
Hercules Powder	38.2	25.7	6.10	25.28	3.9	3.58	3.97	2.60	32⅜	6.1	4.8
Hershey Chocolate	44.3	30.4	2.17	13.96	4.2	6.22	2.98	2.25	57	4.5	15.9
International Tel. & Tel.	115.7	44.2	.....	40.10	2.7	.72	1.07	.....	46¾	4.7	7.5
Kennecott Copper	247.5	194.6	18.00	48.06	7.6	4.45	8.67	4.00	13⅝	.....	19.0
Minnesota Mining & Mfg.	45.3	32.3	6.25	32.30	3.5	7.07	6.51	2.60	57⅛	7.0	12.8
Montgomery Ward	441.5	130.2	16.90	73.01	5.6	7.13	10.28	3.00	125½	2.1	17.1
Paramount Pictures Corp.	61.9	25.3	5.40	27.88	8.9	1.00(b)	1.74(b)	(e)	60¾	4.9	8.5
Penney, J. C.	139.1	103.1	12.52	21.58	2.4	5.08	5.80	2.50	191¼	.....	19.2
Pullman	116.9	77.4	34.84	64.63	8.1	2.42	3.18	2.00	59½	4.2	11.7
Schenley Industries	255.1	63.7	.....	53.08	7.3	6.73(c)	8.20(c)	2.00	36⅜	5.5	15.0
Sears Roebuck	397.8	194.4	8.24	26.00	3.0	4.58	5.80	2.25	45⅛	5.0	9.8
Studebaker	56.1	54.1	19.00	36.19	2.2	11.70	8.12	2.50	34⅛	7.3	2.9
Texas Company	321.1	153.7	.....	77.02	3.6	9.63	12.03	3.75	69½	5.4	7.1
United Aircraft	79.6	31.1	1.98	37.06	4.2	3.31	3.06	2.00	30¾	6.5	9.3
U. S. Gypsum	60.5	55.0	29.51	81.35	4.2	13.51	15.04	9.00	131½	6.8	9.7
Woolworth, F. W., Co.	107.4	59.7	5.14	30.74	3.3	3.83	4.48	2.50	48¼	5.2	12.5

‡—Based on 1949 dividends.
*—Latest indicated.
†—After deducting senior securities.
(a)—On combined class "A" and common shares.
(b)—Pro Forma net income after segregation.
(c)—Year ended August 31.
(e)—Initial dividend $.50 per share paid March 29, 1950, by new company.

FIVE Stocks of "BLUE CHIP" Calibre



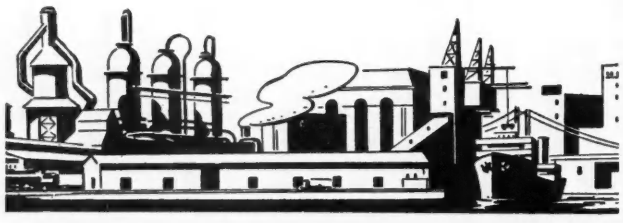
BY OUR STAFF

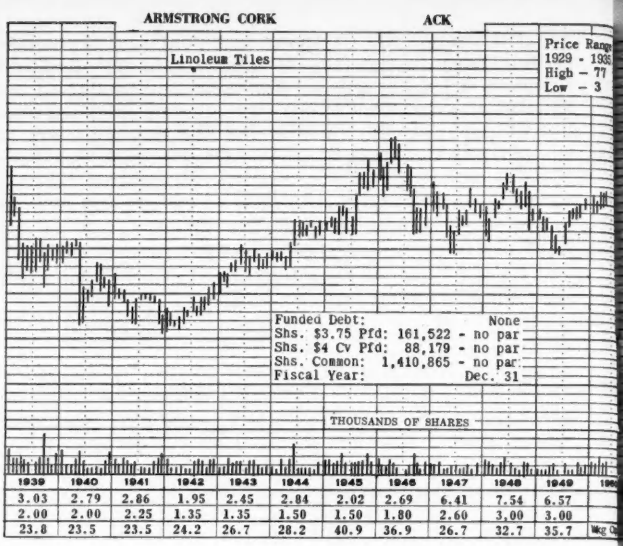
Demand and supply factors will likely influence the long term appreciation potentials of sound equities increasingly when the new trust investment law in New York State becomes effective on July 1. Permission granted to trustees to invest up to 35% of their funds in common stocks will channel their attention to quite a long list of seasoned and fundamentally desirable issues with satisfactory yields. Since trustee fees largely hinge on income return from investments, an incentive to promote the new program will exist, and as the potential amount involved may be very large, the base created for a gradual uptrend in top quality share prices is substantial, at least during future active market periods.

In view of this new element in investment procedure, some readjustment in private portfolios might appear in order, to include a larger proportion of high grade equities in valid expectation that when the supply becomes increasingly scarce, premium prices may result at intervals in coming years. In this event, the search for attractive yields, such as currently prevail, will become more difficult.

With these considerations in mind, our research staff has selected five stocks that seem likely to attract an increasing investment demand from trustees, institutional sources, etc. In order to supply diversification, we have chosen vigorous enterprises in five different industries. All of these concerns have a strong position in their respective trades, are efficiently managed, financially stalwart and developing marked "blue chip" qualities. Their earning power has been well established and their business outlook is bright. Finally, the attractive yields their shares now afford appear well secured.

On following pages we present statistical data relating to these five concerns, together with brief comments on their business outlook and dividend records.





1939	1940	1941	1942	1943	1944	1945	1946	1947	1948	1949	19
3.03	2.79	2.86	1.95	2.45	2.84	2.02	2.69	6.41	7.54	6.57	
2.00	2.00	2.25	1.35	1.35	1.50	1.50	1.80	2.60	3.00	3.00	
23.8	23.5	23.5	24.2	26.7	28.2	40.9	36.9	26.7	32.7	35.7	

ARMSTRONG CORK COMPANY

BUSINESS: This is the largest domestic producer of resilient floor coverings, and broadly diversified output of more than 350 other items includes fibre board products, acoustical materials, glass and closure items, adhesives and a long line of cork and rubber goods.

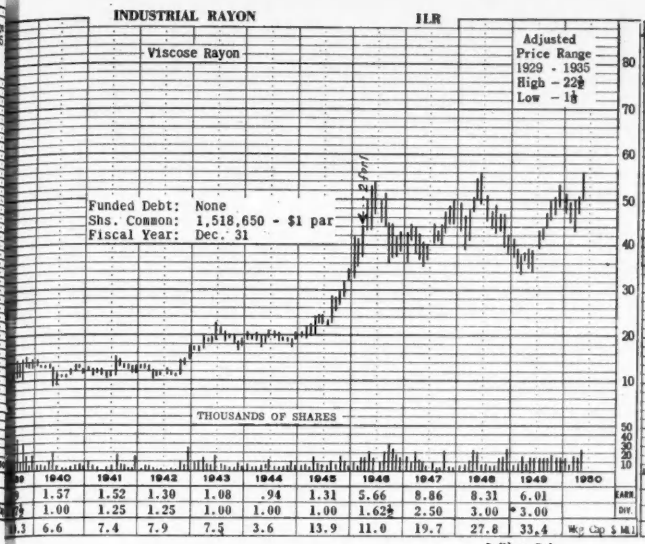
OUTLOOK: With construction activities throughout the country promising to exceed 1949 by a comfortable margin, demand for Armstrong products should continue at an encouraging level in the current year. It is said that the company's building material plants in several locations are operating on a three-shift basis in order to liquidate heavy backlog orders. Virtual completion of a postwar expansion and modernization program involving $45 million has placed Armstrong in a strong position to continue its established growth and to effect many operating economies. The management has pointed out that quite aside from huge sums presently being spent for new construction by customers, about half as much more is now going for replacements and improvements in homes and factories, and that prospects for a larger volume of educational and institutional building in 1950 appear good. A spokesman for the company recently predicted little let-up in demand for Armstrong products for several years to come, and that then it may taper off to a very satisfactory level. The company is exceptionally well financed and despite numerous price reductions is maintaining ample profit margins. Net earnings for the first half of 1950 are estimated at about $3.60 per share compared with $2.80 the year before.

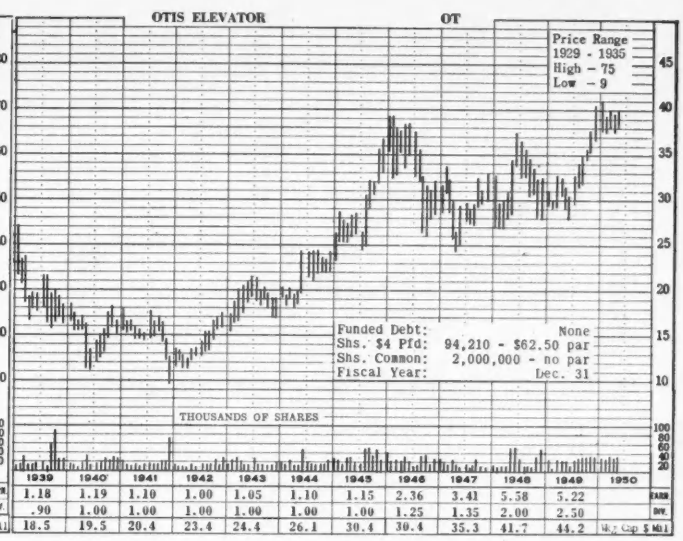
DIVIDENDS: Payments have been regular since 1934. No regular rate is observed but the latest quarterly payment of 65 cents a share compared with 50 cents formerly, and a liberal year-end extra should establish at least the 1949 total of $3.

MARKET ACTION: Recent price—51⅝ compares with a 1950 high of 53 and a low of 48. The indicated yield for 1950 should be at least 5.8%, and probably higher.

COMPARATIVE BALANCE SHEET ITEMS

	December 31, 1940	1949 (000 omitted)	Change
ASSETS			
Cash	$ 3,741	$ 8,724	+$ 4,983
Marketable Securities	1,793	5,533	+ 3,740
Receivables, Net	6,570	10,894	+ 4,324
Inventories	15,929	23,358	+ 7,429
Other Current Assets	258	177	— 81
TOTAL CURRENT ASSETS	28,291	48,686	+ 20,395
Plant and Equipment	47,114	87,793	+ 40,679
Less Depreciation	23,639	33,128	+ 9,489
Net Property	23,475	54,665	+ 31,190
Other Assets	5,563	8,860	+ 3,297
TOTAL ASSETS	$57,329	$112,211	+$54,882
LIABILITIES			
Accounts Payable	$ 2,091	$ 3,992	+$ 1,901
Accruals	863	2,177	+ 1,314
Accrued Taxes	1,756	6,767	+ 5,011
TOTAL CURRENT LIABILITIES	4,710	12,936	+ 8,226
Reserves	500	5,088	+ 4,588
Preferred Stock	5,299	25,633	+ 20,334
Common Stock	8,123	10,000	+ 1,877
Surplus	38,697	58,554	+ 19,857
TOTAL LIABILITIES	$57,329	$112,211	+$54,882
WORKING CAPITAL	$23,581	$ 35,750	+$12,169
CURRENT RATIO	6.0	3.7	— 2.3





* Plus Stk.

INDUSTRIAL RAYON CORPORATION

BUSINESS: Company is an important producer of viscose rayon filament yarns, a substantial portion of which it uses to manufacture knitted fabrics and apparel.

OUTLOOK: The competitive position of Industrial Rayon should continue to be strengthened by its utilization of its well proven process of combining several steps in the manufacture of viscose yarns. Contrary to general experience in the industry in an upset year like 1949, the company's yarn division operated at capacity throughout last year. A strong trade position also enabled production of knitted fabrics to hold at a level only about 1% below 1948. In 1950, first quarter sales of $16.9 million compared with $13.1 million a year earlier, while net earnings advanced to $2.18 per share from $1.74. Although shipments in the first quarter exceeded capacity output, due to heavy inventory replacements by customers, and hence do not reliably indicate full year results, 1950 should prove very satisfactory. Demand for tire cords remains strong, as is also true of textile yarns and fabrics for dresses and underwear. At the end of the first quarter, all departments were operating at capacity. Nearing completion is a program to increase tire rayon capacity by 3 million pounds, pushing total capacity of Industrial Rayon for all divisions to a new high of 88 million pounds annually. With net current assets of $42.2 million, including some $30 million cash and Government securities, compared with current liabilities of only $8.8 million, and with no funded debt or senior securities, the company's financial status is strong.

DIVIDENDS: For the past 20 years, dividends have been paid without interruption. The quarterly rate of 75 cents a share seems secure and a stock dividend of 5% was recently declared.

MARKET ACTION: Recent price—54 compared with a 1950 range of high—56, low—42½. Based on the current cash dividend basis, the yield is 5.6%.

COMPARATIVE BALANCE SHEET ITEMS

	December 31, 1940	December 31, 1949 (000 omitted)	Change
ASSETS			
Cash	$ 5,632	$ 5,440	—$ 192
Marketable Securities	.....	24,650	+ 24,650
Receivables, Net	1,538	5,182	+ 3,644
Inventories	1,424	6,946	+ 5,522
TOTAL CURRENT ASSETS	8,594	42,218	+ 33,624
Plant and Equipment	25,915	48,646	+ 22,731
Less Depreciation	7,183	30,649	+ 23,466
Net Property	18,732	17,997	— 735
Other Assets	214	1,207	+ 993
TOTAL ASSETS	$27,540	$61,422	+$33,882
LIABILITIES			
Accounts Payable	$ 957	$ 2,300	+$ 1,343
Accruals	214	408	+ 194
Accrued Taxes	773	6,090	+ 5,317
TOTAL CURRENT LIABILITIES	1,944	8,798	+ 1,944
Funded Debt	4,500	.....	— 4,500
Other Liabilities	.....	465	+ 465
Common Stock	10,124	1,594	— 8,530
Surplus	10,972	50,565	+ 39,593
TOTAL LIABILITIES	$27,540	$61,422	+$33,882
WORKING CAPITAL	$ 6,650	$33,420	+$26,770
CURRENT RATIO	4.4	4.7	+ .3

OTIS ELEVATOR COMPANY

BUSINESS: The larger number of elevators in domestic use is manufactured by Otis, and the company does a substantial business in foreign countries. Servicing accounts for about a third of annual volume in normal years.

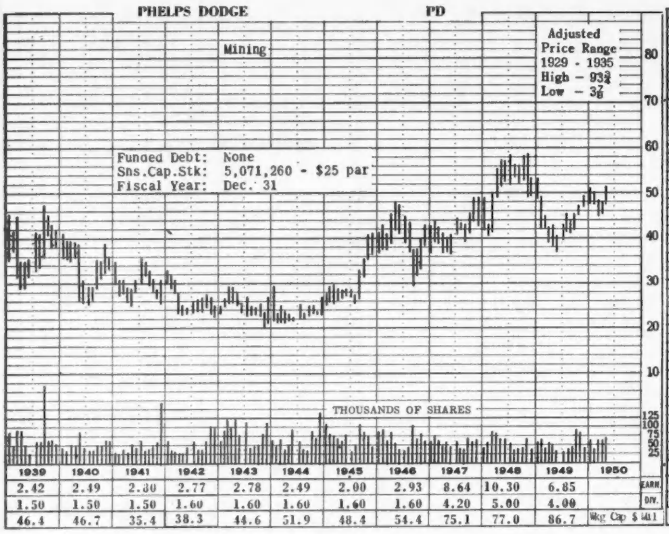
OUTLOOK: Backlog orders amounting to $93.5 million at the beginning of 1950 assure capacity operations in the current year, aside from an expected inflow of new orders that should sustain operations at a high level for a considerably longer period. A considerable degree of stability to the business of this concern is afforded through contracts to service more than 45,000 elevators annually, and the number tends to expand as more and more of its units are installed. In 1949, contract billings of the service division were $18 million, a rise of 11.4% from 1948, while total revenues from servicing were $33.3 million. While orders booked in the first quarter of 1950 for elevators, escalators and servicing were about 5% above last year in the same span, billings of $19.7 million were about 10% lower, but despite this circumstance, net earnings advanced to $1.84 per share from $1.67. This attests to improved cost controls and presents encouragement in appraising earnings potentials for the full year. One constructive factor is that Otis is now manufacturing all of its own elevator doors in contrast to having them formerly made by outsiders. Another encouraging element is that, recognizing that postwar demand for elevators has been abnormally strong, Otis Elevator has refrained from expansion on any scale, thus continuing to accumulate working capital. As of December 31, 1949, current assets of $53.1 million included $37.7 million of cash and marketable securities, and the current ratio was about 6.

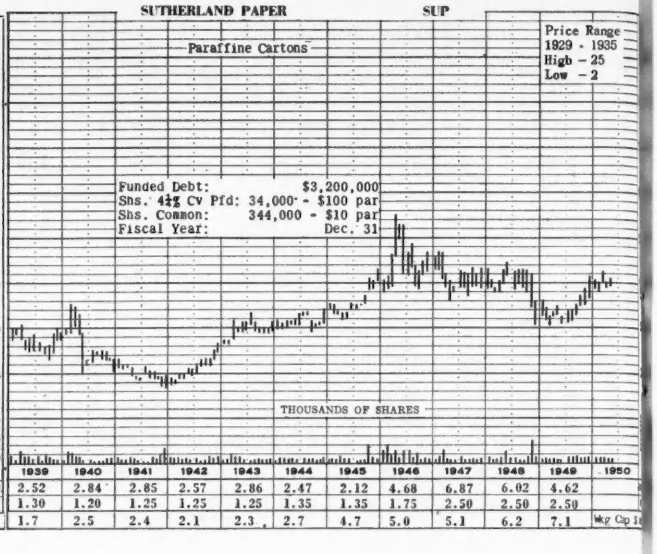
DIVIDENDS: Otis shareholders have received dividends without a break since 1903. Total payments in 1950 should fully equal the $2.50 per share paid in 1949.

MARKET ACTION: Recent price—40 compared with a 1950 high of 41 and a low of 37½. The current yield is approximately 6.2%.

COMPARATIVE BALANCE SHEET ITEMS

	December 31, 1940	December 31, 1949 (000 omitted)	Change
ASSETS			
Cash	$ 8,437	$12,772	+$ 4,335
Marketable Securities	5,838	25,060	+ 19,222
Receivables, Net	2,934	4,196	+ 1,262
Inventories	4,378	10,922	+ 6,544
Other Current Assets	75	183	+ 108
TOTAL CURRENT ASSETS	21,662	53,133	+ 31,471
Plant and Equipment	26,900	24,882	— 2,018
Less Depreciation	15,104	14,981	— 123
Net Property	11,796	9,901	— 1,895
Other Assets	7,948	9,406	+ 1,458
TOTAL ASSETS	$41,406	$72,440	+$31,034
LIABILITIES			
Accounts Payable	$ 1,007	$ 2,998	+$ 1,991
Accruals	311	3,991	+ 3,680
Accrued Taxes	752	1,860	+ 1,108
TOTAL CURRENT LIABILITIES	2,070	8,849	+ 6,779
Reserves	1,609	7,584	+ 5,975
Preferred Stock	6,500	5,888	— 612
Common Stock	25,000	25,000	.....
Surplus	6,227	25,119	+ 18,892
TOTAL LIABILITIES	$41,406	$72,440	+$31,034
WORKING CAPITAL	$19,592	$44,284	+$24,692
CURRENT RATIO	10.4	6.0	— 4.4





PHELPS DODGE CORPORATOIN

BUSINESS: This important low-cost miner of domestic copper is the second largest, and third in size as to output of gold and silver. Refining and fabricating operations are substantial.

OUTLOOK: The recovery of copper prices from last year's low of 16 cents a pound to a recent level of 20½ cents or better has brightened the prospects of Phelps Dodge for an uptrend in earnings in the near term. Further encouragement is lent by a recent advance in prices for lead and zinc, of which the company also is a sizable producer. In the first quarter of 1950 when copper prices averaged about 18½ cents compared with 23½ cents in the related 1949 quarter, net earnings of $1.43 per share contrasted with $2.52 last year. An insistent demand for non-ferrous metals, however, now prevails and will likely continue for months to come. Whether prices for copper will remain firm will hinge partly on whether Congress continues to suspend import duties after June 1, 1950. In any event, this low-cost copper miner has considerably expanded its output and refinery capacity in postwar, and under normal conditions should report satisfactory earnings well above the prewar average. With a well rounded fabricating and sales organization, the management is confidently meeting competition and expects to maintain its position in the forefront of the copper products industry. The company's treasury is strongly fortified with about $90 million of cash and marketable securities.

DIVIDENDS: With the exception of 1932, dividends have been distributed without interruption for the past 23 years, even when not always fully earned. Total dividends in 1950 should equal $4 per share, as was the case in 1949.

MARKET ACTION: Recent price—50½ compares with a 1950 range of high—51⅝, low—44¼. The current yield is 8%.

COMPARATIVE BALANCE SHEET ITEMS

ASSETS	December 31, 1940	1949 (000 omitted)	Change
Cash	$ 32,582	$ 41,738	+$ 9,156
Marketable Securities	387	48,720	+ 48,333
Receivables, Net	12,562	13,434	+ 872
Inventories	15,144	27,319	+ 12,175
Other Current Assets	1,669	822	— 847
TOTAL CURRENT ASSETS	62,344	132,003	+ 69,659
Plant and Equipment	293,447	366,958	+ 73,511
Less Depreciation	168,933	237,594	+ 68,661
Net Property	124,514	129,364	+ 4,850
Other Assets	10,061	11,098	+ 1,037
TOTAL ASSETS	$196,919	$272,495	+$75,576
LIABILITIES			
Accounts Payable	$ 7,461	$ 42,609	+$35,148
Accruals	2,981	2,675	— 306
Accrued Taxes	5,134	.....	— 5,134
TOTAL CURRENT LIABILITIES	15,576	45,284	+ 29,708
Reserves	1,192	4,755	+ 3,563
Funded Debt	16,855	.....	— 16,855
Common Stock	126,781	126,781	.....
Surplus	36,515	95,675	+ 59,160
TOTAL LIABILITIES	$196,919	$272,495	+$75,576
WORKING CAPITAL	$ 46,768	$ 86,749	+$39,981
CURRENT RATIO	4.0	2.9	— 1.1

SUTHERLAND PAPER COMPANY

BUSINESS: One of the largest manufacturers of paraffined cartons, chiefly for the packaging of food products. Production of paper cups and plates creates some diversification.

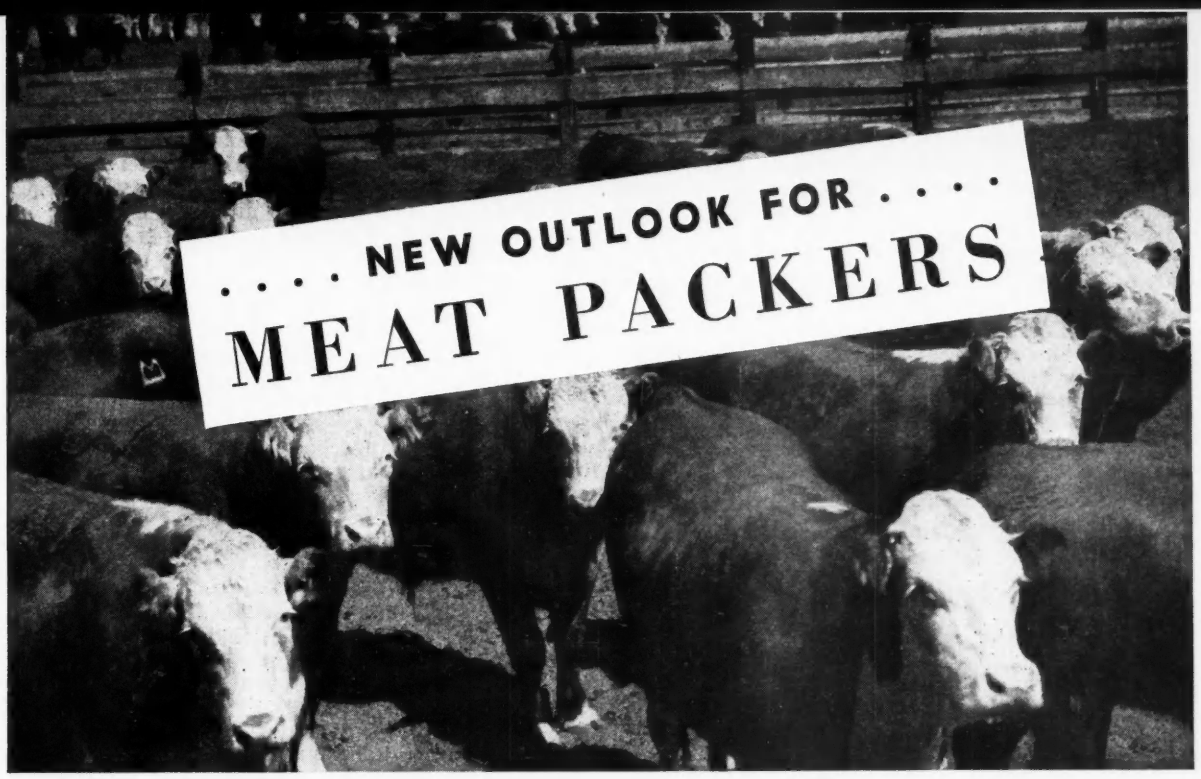
OUTLOOK: In an expanding economy, Sutherland Paper Company should continue its long proven ability to progress. Although sales of $29 million in 1949 were at a record high, volume in the first quarter of 1950 rose to $8.5 million compared with $6.5 million in the same period last year, while net earnings of $1.39 per share advanced from $1.13. This indicates a good start in the current year and reflects not only a generally favorable market but aggressive policies to promote sales as well. The specialized character of products enables Sutherland to maintain adequate margins, while marked growth in production and sales for a number of years has established an impressive base for earnings. In the last seven years, sales have approximately doubled, as have net earnings, while the gross value of plant and equipment has risen about threefold. As the company manufactures all of its paperboard for containers from pulp purchased on the outside, its operations are simplified. Plans are forming to build a new plant in California for the production of cups and plates. As Sutherland Paper late in 1949 swelled its working capital by sale of about $3.4 million preferred stock, it is comfortably financed to expand its facilities. At the end of the year, current assets of $9.8 million compared with current liabilities of $2.6 million. On the whole, it seems likely that before long, earnings may exceed $6 a share, as in 1947 and 1948. The decline to $4.62 per share last year will probably prove temporary.

DIVIDENDS: Steady payments have been made since at least 1923 and the annual payments have gradually increased to $2.50 a share since 1946.

MARKET ACTION: Recent price—40 compares with a 1950 high of 42⅛ and a low of 38. The current yield is 6.2%.

COMPARATIVE BALANCE SHEET ITEMS

ASSETS	December 31, 1940	1949 (000 omitted)	Change
Cash	$ 604	$ 1,594	+$ 990
Marketable Securities	.....	1,997	+ 1,997
Receivables, Net	578	1,432	+ 854
Inventories	2,208	4,626	+ 2,418
Other Current Assets	.....	172	+ 172
TOTAL CURRENT ASSETS	3,390	9,821	+ 6,431
Plant and Equipment	7,581	19,562	+ 11,981
Less Depreciation	3,681	6,471	+ 2,790
Net Property	3,900	13,091	+ 9,191
Other Assets	167	510	+ 343
TOTAL ASSETS	$7,457	$23,422	+$15,965
LIABILITIES			
Accounts Payable	$ 455	$ 979	+$ 524
Accruals	113	705	+ 592
Accrued Taxes	314	988	+ 674
TOTAL CURRENT LIABILITIES	882	2,672	+ 1,790
Funded Debt	900	3,200	+ 2,300
Preferred Stock	.....	3,439	+ 3,439
Common Stock	2,870	3,440	+ 570
Surplus	2,805	10,671	+ 7,866
TOTAL LIABILITIES	$7,457	$23,422	+$15,965
WORKING CAPITAL	$2,508	$ 7,149	+$ 4,641
CURRENT RATIO	3.8	3.6	— .2



. . . . NEW OUTLOOK FOR . . . . MEAT PACKERS

By RICHARD COLSTON

Revival of inflationary forces, accompanied by rising commodity prices, provides a favorable environment for meat packers. Inasmuch as changes in inventory values between the time of livestock purchases and sale of meat in its finished form have a considerable bearing on profit margins, it is apparent that recent upward tendencies—notably in byproducts such as lard and hides—promise encouraging improvement in earnings in the fiscal year to end next October.

Factors other than price fluctuations of inventories also are important, and many of these are more reassuring than last year. Employment, for example, is a primary determinant of family expenditures for food, especially for the more profitable cuts of meat. Labor conditions in the packing industry, Government farm price support policies, general agricultural conditions and other influences contribute to variations in operating conditions. When all is going well, livestock raisers tend to market their hogs or cattle on a regular schedule so that packing plants achieve greatest efficiency. Disturbances that interrupt a regular flow of livestock unnecessarily increase expenses.

Economic conditions generally are running in favor of the packers this year. Inventories of pork accumulated largely in November and December were purchased at exceptionally satisfactory prices. National income has continued its persistent rise and the number of individuals gainfully employed is estimated to have reached the highest level on record. Livestock production has been encouraged by bumper grain crops in the last two years. Hence, all indications point to abundant supplies for processing and good consumer demand. With likelihood of better than average profit margins through inventory appreciation, earnings of principal packers give promise of favorable comparisons with last year.

Although underlying forces point toward improvement in packers' earnings, actual figures supporting this viewpoint are lacking, for few companies issue interim statements. Perhaps an indication of what has been taking place is afforded by Armour's report for the quarter ending January 31. This showed a sharp reversal from last year with net profit of $5,570,583, or $1.19 a share on the common, compared with a deficit of $2,868,761, or 89 cents a share, in the corresponding period a year ago. The deficit, it should be noted, was after taking a tax credit of more than $2 million. This showing indicates the scope of fluctuations inherent in the industry. Presumably recovery persisted through the April quarter, suggesting that earnings for the first half year may have been close to an annual rate of $4 a share or more.

Peculiarities of the Packing Business

Preparation and distribution of meat and byproducts comprise a peculiar business little understood by the average investor. In a sense it closely resembles a public utility—probably more so than any other industrial activity. The meat packer performs such a vital service in supplying the nation's food that the company must continue to function regardless of whether operations offer hope of profit. Packer managements are well aware of their responsibility to the farmer in providing a market for livestock as well as to the consumer in converting livestock into food. They realize that this activity must be carried out to the best of their ability even when economic conditions indicate conclusively that operations are likely to prove unprofitable. Unlike the electric, gas or telephone utilities, packers have no state commissions to whom to appeal for rate relief, when economic con-

ditions become unfavorable.

Because of the virtual certainty of considerable price fluctuations in inventories, shares of packing companies generally are regarded as speculative. With the possible exception of Swift & Co., whose management has achieved a degree of diversification unmatched by its competitors and whose record is outstanding, there is no well known packing company stock meriting an investment rating. A brief study of earnings and dividend records over the last ten or fifteen years is sufficient to indicate the wide extent of swings from prosperity to adversity.

A clearer insight into the industry's operations that may be helpful in appraising the outlook for profits of individual companies is afforded by a presentation of questions and answers in the latest Swift & Co. yearbook. Here it is pointed out why risks are unavoidable despite the fact that packers exert every effort to reduce to a minimum the carrying period between the purchase of supplies and conversion into meat.

Answers to Some Pertinent Questions

The nature of the business is clearly pointed out in answering the question why the price of steak seems excessive. "We don't buy steak; we buy cattle," is the reply. "Only about half of a steer is meat, and only a fraction of the meat is steak. Much of the remainder consists of wholesale cuts that sell to the retailers for less than the average cost of the dressed carcass. Our job is to try to find the best price we can for each of the many products of cattle and other livestock." In other words, various cuts are priced, according to the law of supply and demand, so that consumers can be induced to absorb all the available supply — not merely the most desirable cuts. Naturally, the widest margins are obtained from the best cuts.

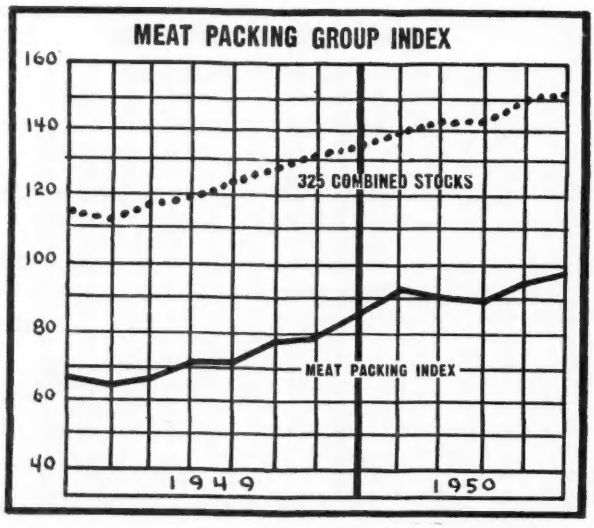
The question then arises, whether prices are adjusted to cover the total cost of livestock so that profits may be realized. In answer, it is pointed out: "We adjust our prices, but we may or may not make a profit. Meat is perishable and must be sold promptly, regardless of what we are paid for it." Some meat can be frozen or otherwise processed to be held for more favorable market conditions, and this method tends to reduce price fluctuations. Less than 5 per cent of meat is frozen, however, and even such supplies may not be held indefinitely. Such meat frequently must be disposed of at discounts from fresh supplies coming to market daily. So far as packers are concerned, there is absolutely no control over supplies coming to market and the large companies by common consent are compelled to purchase offerings from cattle raisers. Hence, as is pointed out in the Swift year book:

"On some deals we make money; on some, we don't. But, year in and year out, we manage to earn a modest profit."

A study of operations of a typical meat packer may be helpful in gaining a better understanding of factors influencing profit margins. It may be observed that in the case of Swift & Co., as an example, the cost of purchases of livestock accounts for about 77 per cent of gross receipts, labor costs take another 11 per cent, while supplies and freight cost about 7 per cent. Taxes, interest and miscellaneous expenses take 4 per cent, leaving 1 per cent of gross for net profit.

Interestingly enough in the last half century, Swift has had profits no greater than 4 cents on each dollar of sales (in 1917) and losses no larger than 1 cent on sales (in 1922 and in 1932). For the last quarter of a century, earnings have averaged only slightly more than 1 cent on each dollar of sales annually. As mentioned earlier, this showing is by far the best in the industry.

It is explained in part by the fact that sales (well over $2 billion annually in recent years) are the largest of any packer, enabling the management to gain the most advantages from volume operations. Swift is represented to a considerable extent in dairy products, which have been especially profitable in recent years; and by-products such as household cleansers, soap flakes, plant food, shortening, etc., have contributed stabilizing influences to a greater extent than experienced by competitors.



Significance of Inventory Fluctuations

In appraising meat packers having sales of from $500 million to more than $2 billion annually, it is important to understand implications of inventory fluctuations as they are affected by taxes. Major packers, except Cudahy Packing, use the last-in, first-out (lifo) method of valuing inventories. This policy tends to level out peaks and valleys in price swings, thereby retarding earnings in periods of rising prices and minimizing losses in deflationary phases.

On the other hand, Cudahy follows the old fashioned method of valuing inventories in chronological order of purchase with the result that fluctuations are accentuated. Tax experts differ as to which method is more desirable in the meat packing business; it is to be observed, however, that Swift has adopted the policy to a greater extent than its competitors.

Incidentally, it should be pointed out, Wilson & Co. uses the calendar year in reporting to the Treasury, inasmuch as inventories usually are larger at the end of December than in October, and benefits are thought to accrue by use of the year-end position. Reports to stockholders, however, are prepared on basis of the October fiscal year.

Tax regulations, aside from the provision for lifo valuations, help explain wide variations in earnings trends of individual packers. Provision for the

Statistical Data on Meat Packing Companies

	Net Sales		Net Per Share			Div. Per Share		Div. Yield‡	Price Earnings	Recent	Price-Range
	1949* ($ millions)	1948*	1949	1948	Latest Interim Reports	1949	1948	%	Ratio†	Price	1949-50
Armour & Company	$1,848.2	$1,841.5	$ (d) .60	$ (d)1.37	$1.19(a)	.....	$ .90	.....	.....	10⅛	10⅞- 5
Cudahy Packing	559.2	567.8	(d)3.31	.36	.....	$ .30	.60	3.1%	.....	9	9⅛- 5¾
Hormel, Geo. A., & Co.	242.0	265.4	3.23	7.22	.....	2.50	2.50	5.9	13.0	42⅛	46 -39
Morrell, John, & Co.	292.7	296.1	.11	3.23	.....	1.00	1.875	5.5	163.6	18	23 -16½
Swift & Co.	2,213.1	2,361.1	3.52	3.02	.....	2.35	2.60	6.3	10.5	37⅜	37¾-27⅝
Swift International Co.	106.0(b)	83.4(b)	.75	.72	.....	.....	.48	.....	19.1	14⅜	15⅝- 8½
Wilson & Co.	709.3	704.6	1.71	2.70	.....	1.00	2.00	7.1	8.2	14	14⅛- 8⅞

‡—Based on 1949 dividends.
†—Based on 1949 earnings.
*—Fiscal years of all companies ended approximately Oct. 30.
(a)—Quarter ended Jan. 28, 1950.
(b)—In U.S. currency at the rate of 9 Argentine pesos to the dollar.
(d)—Deficit.

carrying forward of losses from previous years may be relatively important on some occasions. As an instance, Cudahy stands to benefit this year from the fact that 1949 operations were unprofitable. Variations in results among leading packers last year were explained largely by the fact that for the first time since adoption of lifo tax practices, the industry experienced a sharp decline in inventories.

As may be noted in accompanying statistics, Swift fared best in last year's readjustment, and this is explained by the fact that this company includes virtually all of its products in the lifo arrangement. Armour and Wilson have compromised by applying the lifo method only to slower moving products, so that inventory fluctuations caused by first-in, first-out valuations show up to some extent in reports of these companies.

Recent Earnings Trends

Swift's earnings declined last year only to $4.50 a share from $4.71 in 1948 (before special items—on adjusted basis, earnings came to $3.52 vs. $3.02), whereas Cudahy's results disclosed a wide change from a profit of 36 cents a share in 1948 to a deficit of $3.31 in 1949. Wilson's earnings, sustained in part probably by the favorable showing of its sporting goods subsidiary, dropped to $1.71 a share from $2.70 in the previous year. Armour's earnings improved somewhat to $1.12 a share on the preferred from a deficit of $5.11 (on preferred) in 1948, when a prolonged strike seriously disrupted operations.

As may be surmised, dividend policies also are affected by tax regulations. The recent decision of Swift & Co. to order dividends for the year in advance, for example, suggests confidence on the part of management that profits probably have been stabilized by tax measures as well as by Government farm price support policies tending to provide a cushion against severe price declines. Swift has declared dividends at the rate of 40 cents a share quarterly payable through next January. In addition, an extra of 75 cents was paid in March, making $2.35 a share for the year.

Maintenance of dividends by Wilson & Co., at the regular 25-cent quarterly rate in the face of declining earnings last year probably was agreed upon because of a belief that adverse trends would be retarded by the "lifo" tax cushion as well as by Government policies.

Unfavorable experiences of Armour and Cudahy were too severe to warrant maintenance of common dividends. In fact, payments on Armour preferred shares were suspended. Recovery this year holds out promise of resumption of distributions on Armour preferred and chances would seem promising for a payment on the common if operations in the last half of the fiscal year follow the pattern established in the six months just ended. Rebound in the case of Cudahy might at least rouse hope of a year-end payment on the common shares.

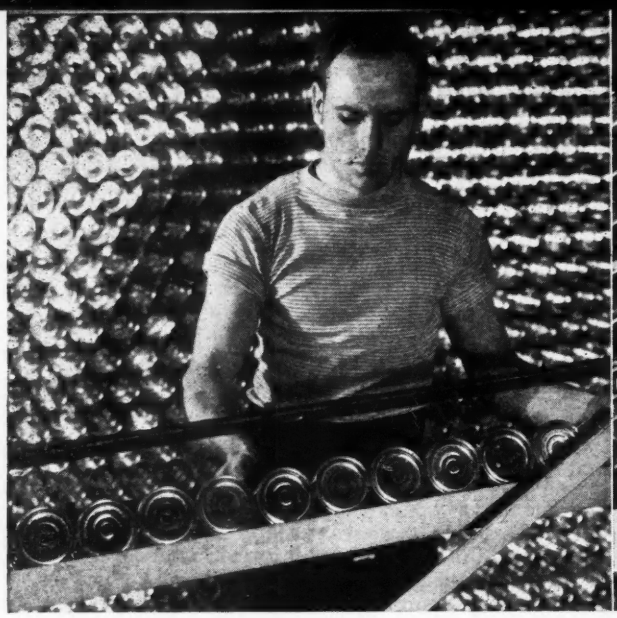
No discussion of meat packers would be complete without comments on Swift International Company, the former Argentine packer once affiliated with the American company. This concern is in process of changing its domicile to the United States to escape restrictive Argentine regulations. Argentine packing companies were burdened with Government decrees granting substantial wage increases without compensatory price increases. Severe losses were inflicted which more than offset the company's profits in other South American countries and in Australia. Subsidies granted by the Government were inadequate to compensate for operating losses.

Armour & Company and Wilson & Company which have comparatively small Argentine properties, were affected in like manner by the Argentine Government's social welfare program. Recent developments indicate a change for the better so far as Argentine policies toward American companies are concerned. In the meantime, Swift International has taken steps to shift its base to this country so that earnings from areas outside of Argentina at least may be freed from restrictive measures that may be imposed in the future by this country.

Successor to Swift International

A new Delaware corporation has been organized to be known as International Packers Limited which is offering its stock in exchange on a share-for-share basis for Swift International Company Limited of Argentina. The Treasury has ruled that this plan is to be deemed a reorganization and is to be tax free if accepted by 80 per cent of holders. Deposit of 1,650,001 shares would be sufficient to warrant formal adoption of the plan, it has been announced.

Operating conditions in Argentina, where normally about half of sales volume originates, continue unsatisfactory. There the National Meat Board regulates the price the industry pays for principal types of livestock. Because (*Please turn to page 341*)





...The Battle of the Containers...

BY H. S. COFFIN

Signs are quite clear that despite intensified competition between metal and glass containers, the relatively few major concerns in both groups will experience a very satisfactory year in 1950. In most cases it is probable that a moderate uptrend in earnings compared with a year earlier will characterize annual reports in both divisions, and a tendency to liberalize dividends somewhat may result.

In a broad manner, ample national income should stimulate heavy demand for food packs, beverages and innumerable other needs using tin or glass containers, aided by the development of new products on a record scale. With high rate industrial activity indicated for 1950 and inventory accumulation in sharp contrast to the recessive situation last year, seasonal factors alone should promote large sales of containers through the third quarter in amount sufficient to offset any potential decline in the final three months.

Under such conditions, the benefits of postwar modernization and expansion programs by most container manufacturers, ample supplies of raw materials and assurance of firm prices, would tend to maintain satisfactory profit margins. But although all leading units should do well this year, makers of both tin and glass containers are experiencing increased competition from paper containers. Additionally, glass for some important uses is still losing ground steadily to metal in markets temporarily captured by glass under the exigencies of war. These cross currents merit examination in appraising the longer term outlook of all leading firms in the two groups, while various degrees of diversification will similarly affect the progress of individual concerns.

The outlook of the two leading makers of metal containers, American Can Company and Continental Can Company, for both intermediate and secular gains is very impressive. Between them, these two competitors account for about 75% of total sales by more than 80 domestic firms, and due to the elaborate facilities needed to turn out billions of cans annually with maximum efficiency and at low cost, their dominant positions seems secure. The durability and light weight of tin cans, combined with a relatively low price, gives them a permanent competitive advantage for most uses except as milk bottles, and in this field both concerns have diversified their output to include fibre bottles which they manufacture in large quantities.

On the demand side, an encouraging factor will continue to be broadening markets for cans as containers for beer, paints, motor oil and packed foods, but more especially through the rapid development of many new products, such as pet foods, spray cans for insecticides and lacquers, frozen or otherwise processed fruit juice concentrates, with an indicated demand for the latter item alone pointing to the use of 475 million cans in the current year. Despite record sales of cans by the larger manufacturers in 1949, shipments in the first two months of 1950 rose 8%, although coffee containers were sharply lower.

Operating Improvements

From an operating angle, improved manufacturing techniques for both tin plate and the cans have proved progressively beneficial. In postwar the steel producers have cut the need for tin metal in half by employment of the electrolytic plating process, and by the use of new equipment the production rate has been amazingly stepped up. The modern continuous mill rolls 7200 pounds of steel sheet in 90 seconds, while streamlined operations from ingot to finished tin plate permit output of the completed material at a rate of 2000 feet a minute.

In the can factories, up-to-date machinery has doubled the rate of production to 400 cans per minute, while the leading concerns have developed sealing equipment that they lease to customers to make final operations fully automatic. Although prices for tin plate are higher than in prewar, they are slightly

lower than a year ago, while large scale production of cans has more than offset the handicap, so that prices for cans generally are unlikely to vary much from 1949 in the current year. Wage and pension costs may rise, but the use of modernized facilities should tend to improve margins on balance.

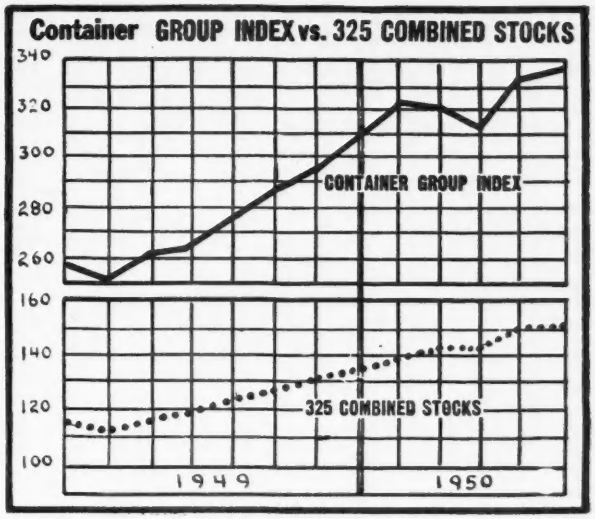
Since the end of the last war, American Can Company has constructed six new plants to keep output abreast of increased demand, and is building two more for the same purpose. One of the latter will produce beer cans and the other fibre milk containers that are increasingly swelling volume and earnings of the company. A gain in American Can's sales last year to $468.3 million from $409.5 million in 1948 was attended by a rise in earnings to $10.02 per share from $9.71. With a good chance of a further uptrend in sales and earnings in 1950, it seems pretty certain that dividend payments will at least equal the $4 a share paid in 1949, especially as the company's capital needs for construction are diminishing.

Continental Can Company is not only the second largest manufacturer of metal containers but also the leading producer of fibre drums and containers, and an important manufacturer of crowns and bottle caps. In the current year, this firm may overcome some operating disadvantages that reduced its net earnings to $3.66 per share from $4.51 in 1948 despite a gain of 5% in volume. Margins last year were pinched by higher allowances for depreciation and interest and lower prices for paper products.

Recent Earnings Trends

Earnings for 12 months ended March 31, 1950, were reported at $3.83 a share, indicating an improvement in operating conditions. Expenditures of more than $65 million for plant improvements in postwar should increasingly bear fruit and prices for paper products are currently somewhat higher. Continental Can is strongly financed and ably managed, while an unbroken dividend record since 1923 speaks for itself. The management recently reflected optimism over the outlook by lifting the quarterly dividend to 40 cents per share, and payment of a year-end extra would create little surprise.

The glass container industry, in which production is largely concentrated with three or four sizable manufacturers, is giving a good account of itself of late, although since 1947, fibre milk containers have made inroads on glass to the extent of about 18% and beer cans in postwar have sharply recovered their former popularity. Shipments of glass containers in



1949 shrank about 7% compared with 1948 for a total of 23% since the war ended. A shrinkage from wartime levels, though, was only natural, as during war years glass had the whole field virtually to itself.

In other words, the industry is now operating under more normal competitive conditions and while these are severe, the development of new products plus enlarged population and high level national income has broadened market potentials. In 1949, for example, total output of glass containers was 191% above the 1935-39 average, and further long term growth may be expected.

From the appended table it will be seen that although only two of the four glass container manufacturers listed experienced slightly higher volume in 1949 than a year earlier, earnings gains were uniform in this group. Accounting for this circumstance is the fact that operations are highly mechanized and thus minimize wage costs. For several years past, strong efforts have been made to reduce other operating costs, and apparently with some success.

Additionally, increased demand from customers to replenish depleted inventories in the last half of 1949 brought a moderate rise in prices that proved beneficial to margins and net earnings. While few firms in the field report quarterly progress, there is evidence that sales and earnings thus far in 1950 have shown improvement, and that continued gains will be likely through most of the current (*Please turn to page* 338)

Pertinent Statistical Data on Container Companies

	Net Sales		Net Per Share					Div.	Price-		
	1949	1948	1949	1948	1950	1949	1948	Yield†	Earnings	Recent	Price Range
	($ millions)				1st Quar.	Dividends Per Share		%	Ratio‡	Price	1949-50
American Can	$468.3	$409.5	$10.02	$9.71	$	$4.00	$4.00	3.3%	11.8	119½	120 -81
Anchor Hocking Glass	70.5	65.9	5.78	4.27		2.50	2.00	5.8	7.4	43	47¾-25½
Continental Can	335.8	319.7	3.66	4.51		1.50	1.50	3.9	10.3	38	39½-30½
Crown Cork & Seal	82.3	98.6	1.22	3.28	(d).04	1.25	1.25	8.5	12.1	14¾	19½-13¾
Hazel-Atlas Glass	58.7	60.7	1.83	1.41	.38	1.20	1.20	5.4	12.1	22¼	25 -19½
National Can	16.9	22.0	(d).65	.19		.15	.25	1.8		8	8¾- 4⅝
Owens-Illinois Glass	223.8	224.3	5.38	3.38		3.00	3.00	4.2	13.2	71¼	73¾-49⅛
Thatcher Glass Mfg.	17.7	16.6	1.60	(d).24		.10(a)	.30	.09	6.8	11	14 - 4¾

†—Based on 1949 dividends.
‡—Based on 1949 earnings.
(d)—Deficit.
(a)—Plus stock.



. . . How Is . . .

The BOND Market

Faring These Days?

By J. S. WILLIAMS

It's an old axiom that the high-grade bond market can do only what the Federal Reserve System will let it do, and that in turn is conditioned primarily on the needs of the Treasury and secondly on the state of business. These considerations have been foremost in shaping bond market developments in recent months and no change is indicated. As it is, the Federal Reserve has been putting a ceiling on the market by selling long term Government bonds. As a result, the interest structure has firmed up somewhat and other areas of the bond market have taken their cue from the "governments," including corporate bonds which have been moving either sidewise or tending lower.

The Federal Reserve had several things in mind when it decided to let governments ease by selling, since the start of the year, a substantial amount of its holdings of long term Treasury bonds. One may have been the thought of preparing the market for additional long term financing to cover the budget deficit. Another probable reason was to put a mild brake on inflationary forces that seem to be building up in the credit situation. After all, business is booming and it seemed a good time to administer a gentle deflationary tug. Certainly it was no time to encourage a bull psychology in governments, thereby further narrowing yields and emphasizing the easy money concept.

Finally, by forcing down long term governments, the Federal Reserve leaves itself some much-needed elbow room to raise bonds prices and thus encourage credit by lowering money rates, should business turn down later on. Had it not acted as it did, it would have completely lost this potentially stimulating weapon, or at least blunted it considerably.

Save for mild and continuing interventions in the market for long term government bonds, central banking policy in more recent months has been characterized mainly by aloofness. Our monetary authorities admittedly deplore the lapse of consumer credit controls but otherwise appear content for the time being to let things ride on the assumption that the forces of inflation and deflation are fairly well balanced.

The sales of long term Treasury bonds have, however, been of importance to the large financial segment concerned with government securities, and this includes not only banks and insurance companies, trustees and fiduciaries, but also numerous individual investors. Official selling has slowly depressed the prices of outstanding issues and raised yields accordingly. This was welcomed by most of the financial community which has long complained of the abnormally low rates for money. Though the corrective applied was not a substantial one, it was widely held to have been a move in the right direction.

Perhaps there is such a thing as reading too much into the latest phase of money and bond market policy, but it certainly had the effect of blunting the edge of an avid demand for high grade securities. Long term money rates have advanced a little without in any way endangering the basic 2½% rate for long term Treasury borrowings. As an incidental effect, corporate borrowers with best ratings are finding their bond flotations a bit more costly in interest charges. Low costs turned many corporations to the loan market when they might better have explored the equity fields in the interest of sound and well balanced capital structures. Within the limits imposed by Treasury requirements, the Federal Reserve apparently is doing what it can to counter such trends.

Treasury Approves Moderately Firmer Interest Rates

The Treasury appears quite willing to go along with a firming of interest rates during the current business upturn, provided this policy is not pushed to the point where government bonds will go below par. The attitude is understandable because any such occurrence would place tremendous pressure on the market, ultimately requiring renewed pegging of government bond prices, something the Treasury definitely wants to avoid if it can.

Thus if there is some question of how far the

Federal Reserve may let government bond prices slide, the best answer doubtless is: Not much more. Prevailing prices and yields are low enough to set the stage for any forthcoming long term financing of the budget deficit. And as to the latter, there is growing doubt whether it may be an early prospect, a development that lately has tended to add some strength to the entire government bond market.

Such doubt has been reinforced by announcement of the terms of the latest Treasury certificate refunding which incidentally has been widely interpreted as precluding any further rise in interest rates on short term Treasury securities for the time being; *it also was regarded as pointing to further postponement of deficit financing through issuance of long term securities.*

Whether the postponement is short range or of longer duration remains to be seen. Some expect the former, pending the outcome of the current savings bond drive. Others recall the Treasury's basic objection to deficit financing with long term bond offerings because of fear of possible renewed necessity of price pegging operations. As a result, the deficit so far has been financed by a stepping up of weekly bill offerings and there have been reports that only note and short term bond issues may be expected this year, for new money as well as for refunding.

However that may be, the prospect is that the government bond market will remain in a narrow range, moving sidewise or perhaps tending a little lower. Prime municipal bonds are selling exactly in line with bank eligible Treasury bonds (after deducting from yields on the latter the 38% corporate income tax), and this places a definite ceiling over the municipal bond market.

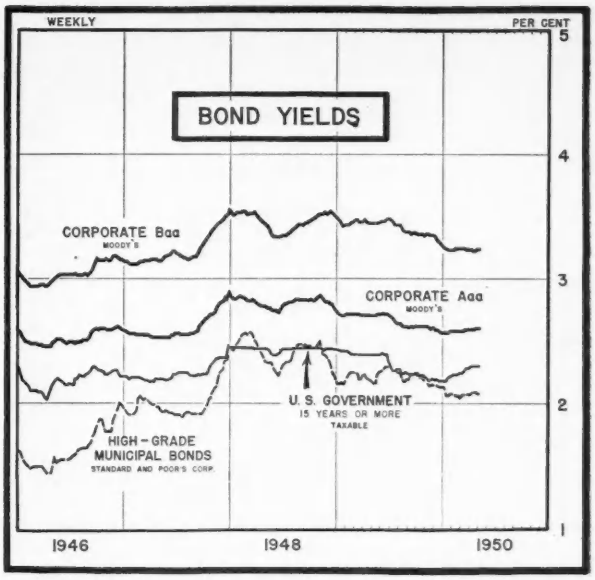
With unrestricted Treasury 2½s still under mild pressure and fairly cheap in relation to prime corporate bonds, the latter can do little until the Federal Reserve permits the Treasury bond market to revive. This may be some months away, not only because it would allow funds to accumulate in institutional hands, but because of the apparent decision not to rush long term bond offerings to finance the defict.

In the interim, the Federal Reserve retains a free hand in restraining credit inflation by more aggressive open market selling of Treasurys which it obviously has no intention of letting go higher at this time. Again, this argues against the probability of early revival of strength. Yields for some time should continue pretty much as they are.

Bond vs. Stock Yields

The narrowness of the yield spread between high grade corporate bonds and governments continues to be a subject of considerable discussion in interested quarters. Many shrewd observers contend that the spread will have to widen, with corporates eventually going to higher yields if only because of the likelihood of sales of corporates induced by the proximity of their yields to those of governments which represents a basically unattractive situation. Another plausible reason is seen in the wide gap between corporate bond yields and common stock yields, enhancing the prospect of increasing diversion of investment funds into high grade equities to improve income return.

The rise in stock prices since last June has somewhat narrowed the spread between stock and bond



yields but, because dividends also rose, not as much as the stock market advance would otherwise have implied. The margin is still wide, with average common stock yields of 6.33% contrasting with yields on high grade corporate bonds averaging 2.56%.

Stock yields, in other words, are 2.47 times bond yields, on the average. This is lower than the figure of 3.1 times prevailing in June last year, but far higher — according to a study of the Cleveland Trust Company — than the 50-year average of a little less than 1.5 times. Over that entire span of years, the average yield on common stocks was 5.90%, and on high grade corporates 4.25%.

If common stock yields are now relatively high compared with the past and the gap between them and bond yields is wide, this has been due in no inconsiderable part to the rather pronounced downward trend in bond yields. And the long rise in bond prices, which has brought about such low yields, stems chiefly from Government control of money rates and the easy money (*Please turn to page* 338)



FOR PROFIT AND INCOME



Comparison

In the stock market no two periods are ever closely alike. However, there is some similarity between the present situation and that of the early 1920's. There was a major bear market from late 1919 to August, 1921, following which the Dow industrial average rebounded to about 103 in 1922. From early that year until the late summer of 1924, or for more than two and a half years, the average ranged between 105 and 82, or about 28% from low to high. Out of that "range of indecision" came the 5-year rise culminating in 1929. From the 1946 top we had a minor bear market, followed by almost three years of broad trading range fluctuation between 193 and 160, or nearly 21% from low to high. From that "range of indecision" we have now had a major uptrend of one year's duration, lifting the average by 40%. So far, so good. Whether the rest of this cycle is at all comparable to 1925-1929, time alone will tell.

Recognition

There are many factors at work in a market rise, but the psychological ones are always more influential than such tangible things as business activity, earnings and dividends. We have not yet reached the stage of public enthusiasm over this advance, for there has been little of general speculative tendencies. However, selective investment demand has put many good-quality equities — the type meeting the requirements for trustee and institutional buyers—to the highest prices in some 20 years. In some measure this may be a vote of confidence in the future. Probably in greater measure it is a belated recognition of the cheapness of good stocks in terms of earnings, dividends and asset values. Some of the buying is by very conservative people who have seen inflation cut the value of their bond income by 40%, who have given up waiting for any significant appreciation in the value of the dollar, and who want an increased ratio of their total investments in good equities from here on, regardless of interim or cyclical shifts in the market. In short, good stocks seem to be back in investment vogue to a greater extent than at any previous time since the 1920's. But speculative stocks are not back in vogue to anywhere near the degree of either 1928-1929 or 1945-1946.

Ammunition

The market can make much, or little, out of favorable "ammunition," depending on the general investment and speculative mood. Most of the big rise of the 1920's took place with business activity rising very slightly, commodity prices declining slightly. For example, from 1925 through 1928, the average annual level of the Federal Reserve Board index of production ranged only between 91 and 99. From 1925 to 1928 earnings on representative industrial stocks rose only some 15%. However, as is true also in the present instance, dividends rose more greatly than earnings. Much was made out of a fairly moderate amount of ammunition —

INCREASES SHOWN IN RECENT EARNINGS REPORTS

		1950	1949
Young (L. A.) Spring & Wire	9 months April 30	$6.81	$5.65
U. S. Playing Card	March 31 Quarter	2.44	1.78
Seaboard Air Line R. R.	4 months April 30	2.85	1.87
General Foods Corp.	March 31 Quarter	1.45	1.32
Federated Department Stores	April 29 Quarter	1.03	1.00
Cornell-Dubilier Elec. Corp.	6 months March 31	1.21	.48
Deere & Co.	6 months April 30	6.13	5.11
Brown Shoe Co.	6 months April 30	2.95	2.49
Addressograph-Multigraph Corp.	9 months April 30	4.93	4.16
Union Pacific R. R.	4 months April 30	2.65	1.11

much too much by late 1929, with typical stocks around 20 times per share earnings and yields down to barely more than 3%. In terms of price-earnings ratios and yields, stocks remain cheaper, on an average, than at any time between 1922 and 1929, inclusive. And when stock prices are compared with top prices of 1929 or 1937 or 1946, it must be kept in mind that you are using a yardstick which is 40% shorter than the prewar yardstick—and more or less permanently so.

Groups

Stock groups reflecting above-average demand in recent weeks include automobiles, auto parts, chemicals, containers, drugs, electrical equipment, fertilizer, foods, building materials, utilities, machinery, coppers, mail order stocks, metal fabricating, oil, paper, department stores, rayon and tires. Improved action in some of these instances is a fairly recent development. That is so of oils, coppers, machinery, rayon and some retail trade stocks. These, and the other groups cited herein, are mainly responsible for the succession of new highs in the broader indexes during the last month to six weeks.

However

However, the market is not on a one-way street. It continues to need at least frequent minor corrections; and at almost any unpredictable time it might have a sell-off more extensive than any seen so far on the persistent 12-month rise. Two technical considerations can be cited as having some bearing on a possible reaction in June, even though seasonal tendencies for the later summer period have been more or less favorable in the majority of years. One is that recent new highs in the averages have been on reduced trading volume. Another is an increasing number of stock groups which in recent weeks have either subtracted something from the general rise or added nothing to it. This list includes rails, beer, video stocks, soft drinks, gold, baking, office equipment, variety chains, shoes, shipping, cotton and woolen goods, movies, and tobacco. It carries somewhat less "market weight" than the list of groups which have been acting well.

Stocks

A partial list of individual stocks recently showing above-average performance includes: American Viscose, Atlas Powder, Kennecott, Ohio Oil, California Packing, Caterpillar Tractor, Commercial Credit, Container Corp., Kimberley-Clark, Crown Zellerbach, Atlantic Refining, Federated Dept. Stores, Goodrich, Hershey, Montgomery Ward, Phillips Petroleum, General Shoe, Republic Steel, Standard Oil of Ohio, Socony-Vacuum and Texas Company.

Shoe

We recently said that some good secondary companies had a bigger potential than some leading companies; and cited General Shoe, versus the great International Shoe, as one case in point. We now note with interest that for 6 months to April 30 General netted $2.36 a share, versus $1.33 for the same period of 1948-1949, a gain of about 77%, although dollar sales were down slightly. Due to low costs and high efficiency, General's full-year showing probably will be the best in the industry, At its recent new high of 35, General had risen to within less than 5 points of International, compared with a much wider spread in the past. It is still probably the best shoe stock for yield, plus longer-term potential for capital gain.

Atlantic Refining

On earnings and assets, Atlantic Refining is one of the cheapest oil stocks at current prices around 54. Earnings for the first quarter of this year were $3.09 a share, a sizable gain from $2.73 in the first quarter of 1949; whereas the year-to-year comparison for the oil industry as a whole was adverse. A wide gain will be shown for the second quarter, because it will reflect the full benefit of higher gasoline prices, and because comparison will be with the poorest quarter of 1949. As things look now, full-year earnings probably will come close to, and might even exceed, 1948's record $12.68 a share. The stock's book value is over $95 a share. Crude oil production, which was insignificant in earlier years, has been expanded to a point where it provides about half of refinery needs. The recently increased $3 dividend may be subject to long-term liberalization, but probably not again for some time. The current yield of 5.5% is only so-so as oil stocks go. A major factor in the company's present prosperity is the use of lower-cost crude imported from Venezuela. There is probably not much chance that agitation on this matter will result in legislation to curb oil imports, since that would contradict the Administration's whole basic trade policy; but the possibility cannot be excluded in any appraisal of this stock. Probably it is one reason why it sells for less than four and a half times indicated 1950 net earnings.

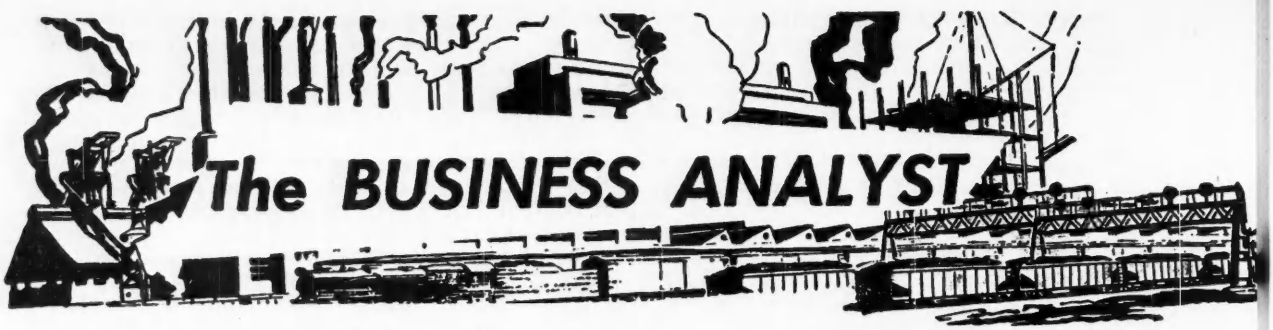
Video

At recent lows the average television stock had cancelled roughly a quarter of the entire rise from the 1949 low, which still left it at a far more advanced level than the general market, so far as historical price ranges are concerned. The stocks had a mild subsequent rally; but this column doubts that they are ready to resume their dynamic uptrend in the face of the present seasonal lag in retail sales, attended by

(*Continued on page 343*)

DECREASES SHOWN IN RECENT EARNINGS REPORTS

		1950	1949
Food Machinery & Chemical	March 31 Quarter	$ .14	$ .55
International Harvester	6 months April 30	1.61	2.72
Ingersoll-Rand Co.	March 31 Quarter	1.94	2.46
Chicago, R. I. & Pacific R. R.	4 months April 30	1.94	2.13
Green, H. L., Co., Inc.	April 30 Quarter	.54	.64
Radio-Keith-Orpheum Corp.	13 weeks April 1	.03	.27
Northern Natural Gas	March 31 Quarter	.93	1.08
White (S. S.) Dental Mfg.	March 31 Quarter	.35	1.07
Chain Belt Co.	6 months April 30	1.37	2.28
Hercules Motors Corp.	March 31 uarter	.07	.95

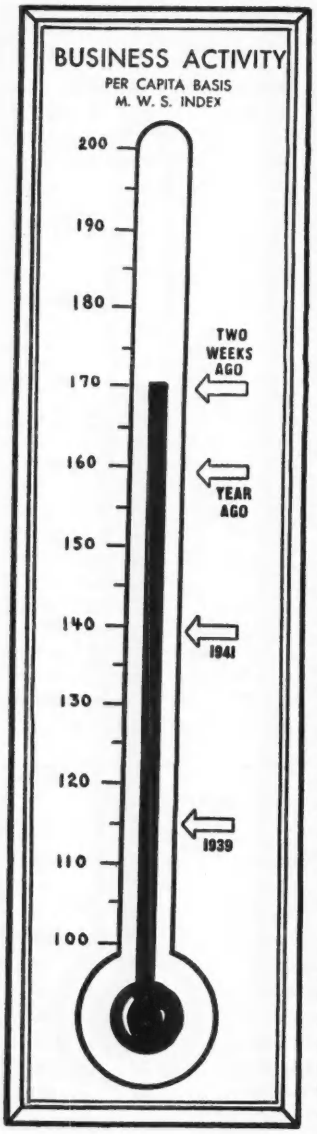


The BUSINESS ANALYST

What's Ahead for Business?

By E. K. A.

The business boom continues to roll along as we approach mid-year without definite signs of an early slow-down. Industrial production in the aggregate is close to the 1948 peak and in some lines is at an all-time high. The FRB industrial production index probably reached 191 or 192 in May, a thirty point rise from last July's low of 161. Whether it will duplicate, before the expected seasonal decline sets in after mid-year, the postwar top of 195 remains to be seen, but by and large this is not too important a question. This column does not regard such a feat as an absolute requisite of continued prosperity as some do. Far more important in our view is the extent of the seasonal summer drop and subsequent recovery in Fall. In both respects, the outlook is encouraging.



The rise in the production index has been paced primarily by the durable goods sector and some slackening in such lines, especially autos and building, later in the year is a logical expectation. No seasonal upward push can be expected from them in the Fall. Rather the pull on the production index will be downwards. It is the principal reason for our belief that the peak of the 1950 boom is not far away. Any decline thereafter need not be serious; certainly nothing today points in this direction. It might be moderated, moreover, if any slack in durables were taken up by revival of activity in non - durables, particularly textiles. But this would mean a marked shift in consumer buying emphasis, for which there are some faint indications but no conclusive evidence. While the month of May brought a sharp pick-up in demand in the cotton textile field, the buying wave was short lived and thus hardly foreshadows an early need for a substantial step-up in production in this field.

As to durable goods, new orders, booming in March, leveled out in April and May. In view of this, one may conclude that there will hardly be a run-away on the upside from here on. Strike-caused shortages have added artificial stimulation to the boom by limiting supply when demand was running heavy anyway. But production is high and many urgent demands will soon have been satisfied. More stable, and less hectic conditions in current shortage areas should prevail thereafter. Though almost everywhere one looks, activity is booming, there are also signs that the trees won't grow into the sky. And this is just as well.

One of the constructive aspects of current business psychology is the healthy dose of caution, if not skepticism, that colors business thinking and planning. There is a widespread tendency to hope for the best and figure on something less. It is a sound attitude that has served well in the past. Admittedly it is tempting to adapt one's sentiment to the current state of business, and this has produced a sizeable crop of optimists on the outlook. But there are also those, and their ranks seem to be swelling, who feel that the very rate of activity we now enjoy counsels caution — on the theory that it simply cannot go on like that forever. Hence there is a growing division of sentiment as to what will happen later in the year.

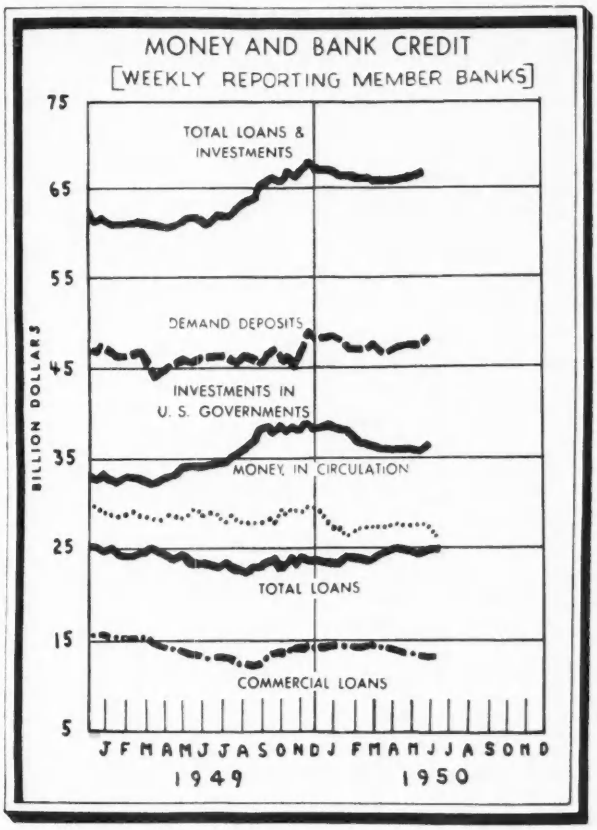
Importance of "Sentiment"

We have previously stated that we expect no more than a moderate let-down during the fourth quarter, chiefly reflecting a seasonal decline in automobile production and construction activity. What's more, we do not anticipate any serious slump in consumer durable goods during the forepart of 1951 despite the flood of current production. Demand here continues to be backstopped by substantial buying power as evidenced by high personal incomes, rising wage trends, huge aggregate savings of individuals. Just "sentiment" will be an equally important factor since it governs spending propensity. Sentiment is more difficult to anticipate. Much in this respect will depend on the extent of decline in construction and auto production this Fall, or rather the extent of the seasonal improvement in business after the expected mid-summer slackening.

Meanwhile the trend of wholesale prices will be a good straw to watch for finding out how the business wind will blow. Right now there is an inflationary bias in the price structure, the result not only of current high production but of inventory building after the steel and coal strikes.

HIGHLIGHTS

MONEY AND CREDIT—Profit taking in some of the more speculative low-priced issues during the fortnight ended June 2 was mainly responsible for a mild dip of about two points in our index of 325 active common stocks under the lightest volume of sales since last November. While our index of 100 Low Priced Stocks drifted down to the lowest level in seven weeks, the 100 High Priced Stocks managed to inch forward fractionally to the best level since 1946. Two of our 46 group indexes made new 1950 lows, and 9 new highs for various periods, as tabulated on the second page following. New York bank stocks rose to a new high since last October 14. Corporate bonds were mildly reactionary, with the rails easing off to the lowest average since August 26. Foreign government dollar bonds rose fractionally; but the U.S. Victory 2½s were easier, with the unrestricted series lowest in 4 weeks and the restricted bonds off to the lowest price since last June 25. Out of the proceeds from a net increase of around $400 million in the Government gross debt during the fortnight ended May 31, about $300 million was used to meet a corresponding excess of expenditures over receipts, and the remaining $100 million to build up the Treasury's cash balance. The budget up to May 31 amounted to $3,230 million, compared with last year's surplus of $1,001, for the first 11 months of the fiscal year. Since the deficit increased only $1.16 billion last month, it begins to look as though the fiscal year's deficit could be over $1 billion less than earlier estimates of $5.4 billion. A major reason for this would be that business, and hence tax receipts, have been much better than Washington expected five months ago. In the fortnight ended May 24, commercial loans on the books of weekly reporting member banks declined only $6 million—$629 million lower than a year ago; but total loans rose $66 million, to a level $1,285 million higher than a year earlier. Earnings assets are $4.7 billion larger than a year ago, which helps to explain the persistent strength in bank stocks. Demand deposits are a billion larger than a year ago, up $517 million during the fortnight. Savings and loan associations report record deposits and loans in the first quarter, with net savings rising $448 million or 6%, over a year ago and loans on homes increasing a billion, or 51%, over the corresponding period in 1949. Responding to the rising demand for foreign currencies, the Netherlands, Italy, Mexico, Honduras, El Salvador and Paraguay, have joined the U.S., Belgium, Canada, Denmark, France and the United Kingdom in making their currencies available to the World Bank for lending. Prices for gold and foreign currencies are sliding in the Paris black market. The British pound there is down 21% from its official price, the American dollar brings a premium of less than 1%; but gold bars still command a premium of 10% over the franc equivalent of our official $35 an ounce. Following our example, Britain's labor government is planning to grant relief from double taxation to British companies operating overseas. Uncle Sam's business boom, with its accompanying upsurge in volume and prices of imported raw materials such as rubber, wool, jute, cocoa, diamonds, has lifted the sterling area's dollar income to over $100 million a month. Canada's dollar shortage is being eased by heavy exports of timber and newsprint to the U.S. Bolivia, Malaya and Indonesia are also benefitting dollarwise from the upsurge in demand for tin, world production of which rose from 12,600 long tons in February to 15,600 for March.



TRADE—Department store sales in the fortnight ended May 27 averaged only 0.5% lower than for the corresponding perod last year, compared with a decline of 3% for the year to date. Substantial increases were reported by Southern and Mid-Western cities. There are a few scattered indications of an incipient shifting by consumers away from hard goods back to soft goods.

INDUSTRY—Business is still booming in durable goods lines; but there are faint signs that factory production may be catching up with demand, possibly merely in anticipation of the customary summer vacation let-down.

COMMODITIES—Spot and futures index are highest in over a year, with notable strength in rubber, wool, soy beans, nickel, zinc and copper.

Better than normal seasonal increases in bank debits, carloadings and refinery runs were mainly responsible during the fortnight ended May 27 for a moderate rise in **Business Activity** to a level 9.6% above last year at this date;

(Please turn to following page)

Essential Statistics

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
MILITARY EXPENDITURES—$b (e)	April	1.11	1.16	1.28	1.55
Cumulative from mid-1940	April	395.3	394.2	380.8	13.8
FEDERAL GROSS DEBT—$b	May 31	256.4	256.1	251.9	55.2
MONEY SUPPLY—$b					
Demand Deposits—94 Centers	May 24	47.4	46.9	46.4	26.1
Currency in Circulation	May 31	27.1	26.9	27.5	10.7
BANK DEBITS—13-Week Avge.					
New York City—$b	May 24	9.13	9.20	8.55	4.26
93 Other Centers—$b	May 24	13.32	13.08	12.35	7.60
PERSONAL INCOMES—$b (cd2)	Mar.	225.5	221.8	212.5	102
Salaries and Wages	Mar.	140.4	138.0	136.7	66
Proprietors' Incomes	Mar.	43.7	44.1	46.2	23
Interest and Dividends	Mar.	17.9	17.6	17.0	10
Transfer Payments	Mar.	23.5	22.1	12.6	3
(INCOME FROM AGRICULTURE)	Mar.	18.8	19.1	22.0	10
POPULATION—m (e) (cb)	Apr.	151.2	151.0	148.5	133.8
Non-Institutional, Age 14 & Over	Apr.	110.5	110.4	109.4	101.8
Labor Force	Apr.	63.5	63.0	62.3	57.5
Military	Apr.	1.33	1.35	1.49	1.89
Civilian	Apr.	62.2	61.7	60.8	55.6
Unemployed	Apr.	3.5	4.1	3.0	3.8
Employed	Apr.	58.6	57.5	57.8	51.8
In Agriculture	Apr.	7.2	6.7	7.8	8.0
Non-Farm	Apr.	51.5	50.9	50.0	43.8
At Work	Apr.	49.9	49.2	48.6	43.2
Weekly Hours	Apr.	40.8	41.2	41.5	42.0
Man-Hours Weekly—b	Apr.	2.04	2.03	2.02	1.82
EMPLOYEES, Non-Farm—m (lb)	Apr.	42.8	42.3	43.0	37.5
Government	Apr.	5.9	5.8	5.8	4.8
Factory	Apr.	11.5	11.5	11.6	11.7
Weekly Hours	Apr.	39.7	39.7	38.4	40.4
Hourly Wage (cents)	Apr.	143.3	142.4	140.1	77.3
Weekly Wage ($)	Apr.	56.89	56.53	53.80	21.23
PRICES—Wholesale (lb2)	May 30	156.8	156.1	155.9	92.5
Retail (cdlb)	Mar.	183.8	183.3	189.4	116.2
COST OF LIVING (lb3)	Apr.	167.3	167.0	169.7	100.2
Food	Apr.	196.6	196.0	202.6	113.1
Clothing	Apr.	185.7	185.0	192.5	113.8
Rent	Apr.	123.1	122.9	120.3	107.8
RETAIL TRADE —$b					
Retail Store Sales (cd)	Mar.	10.92	9.28	10.53	4.72
Durable Goods	Mar.	3.64	3.05	3.28	1.07
Non-Durable Goods	Mar.	7.28	6.23	7.25	3.65
Dep't Store Sales (mrb)	Mar.	0.75	0.59	0.75	0.42
Retail Sales Credit, End Mo. (rb2)	Mar.	9.55	9.44	7.48	5.46
MANUFACTURERS'					
New Orders—$b(cd) Total	Mar.	20.5	18.0	18.0	14.6
Durable Goods	Mar.	9.5	7.5	7.2	7.1
Non-Durable Goods	Mar.	11.0	10.5	10.8	7.5
Shipments—$b(cd)—Total	Mar.	19.8	17.3	19.2	8.3
Durable Goods	Mar.	8.5	7.1	8.2	4.1
Non-Durable Goods	Mar.	11.3	10.2	11.0	4.2
BUSINESS INVENTORIES, End Mo.					
Total—$b (cd)	Feb.	54.2	53.8	58.8	28.6
Manufacturers'	Feb.	31.2	31.3	34.6	16.4
Wholesalers'	Feb.	9.2	9.1	9.2	4.1
Retailers'	Feb.	13.8	13.4	14.5	8.1
Dept. Store Stocks (mrb)	Feb.	2.1	1.9	2.1	1.4
BUSINESS ACTIVITY—1—pc	May 27	170.9	169.8	159.6	141.8
(M. W. S.)—1—np	May 27	200.6	199.4	183.2	146.5

PRESENT POSITION AND OUTLOOK

(Continued from page 329)

but a small temporary dip is looked for in the summer vacation month of July.

* * *

With some exceptions, notably housing, there are a few indications that production may be catching up with demand. During the rebound from last year's mild inventory-paring recession, backlogs of unfilled orders on the books of manufacturers mounted swiftly, partly because production had been held back by strikes in basic industries. Throughout the final quarter of 1949 and the first quarter of the current year, manufacturers' orders exceeded shipments by an encouragingly wide margin; but in April, according to Commerce Department reports, shipments again exceeded **New Orders** for the first time in six months. The resulting decline in backlogs was small, and confined to non-durables; but even for durable goods the rise in unfilled orders amounted to only $100 million, compared with $500 million for March.

* * *

The post-recession boom in durable goods has been sponsored primarily by consumers who, well supplied with cash and credit, have chosen to sidetrack replenishment of their wardrobes and linen closets to gratify cravings for things more durable and costly. But scattered reports have been coming to hand recently of an incipient shift in demand from household durables to **Non-durables;** however, the textile industry still has its fingers crossed.

* * *

Should these few straws in the wind turn out to have been true portents it will become evident that, barring war, we are not heading into another **Inflation**spiral. A resurgence in demand for durable goods always leads to rising prices, with or without Government deficit spending. In the present instance, the broad recovery in prices since mid-1949 has been accelerated by unfavorable crop conditions and Government stockpiling of basic commodities.

* * *

Prices for **Metals** are still advancing. Since our last isue, tin has gone up 5/8 cent, copper 2 cents, zinc 2 1/2 cents (making a total rise of 4 3/4 cents since March 14), while nickel jumped 8 cents to a new high base price of 48 cents for U.S. processors. This was the first rise in nickel since July 22, 1948. No. 1 steel scrap at Pittsburgh soared $7, up to $46 a ton, highest on record. Inventories of refined copper in

and Trends

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
INDUSTRIAL PROD.—1—np (rb)	Apr.	189	187	179	174
Mining	Apr.	142	144	148	133
Durable Goods Mfr.	Apr.	221	212	212	220
Non-Durable Goods Mfr.	Apr.	179	180	162	151
CARLOADINGS—t—Total	May 27	781	743	785	833
Manufactures & Miscellaneous	May 27	373	356	339	379
Mdse. L. C. L.	May 27	85	77	93	156
Grain	May 27	40	38	49	43
ELEC. POWER Output (Kw.H.) m	May 27	5,894	5,845	5,270	3,267
SOFT COAL, Prod. (st) m	May 27	10.2	9.6	11.4	10.8
Cumulative from Jan. 1	May 27	182	172	221	446
Stocks, End Mo.	Apr.	37.6	28.0	65.2	61.8
PETROLEUM—(bbls.) m					
Crude Output, Daily	May 27	5.1	5.1	4.9	4.1
Gasoline Stocks	May 27	123	125	121	86
Fuel Oil Stocks	May 27	39	39	63	94
Heating Oil Stocks	May 27	39	37	56	55
LUMBER, Prod. (bd. ft.) m	May 27	808	817	680	632
Stocks, End Mo. (bd. ft.) b	Mar.	6.3	7.0	7.1	12.6
STEEL INGOT PROD. (st) m	Apr.	8.20	7.48	7.80	6.96
Cumulative from Jan. 1	Apr.	30.4	22.2	31.9	74.7
ENGINEERING CONSTRUCTION AWARDS—$m (en)	June 1	206	291	123	94
Cumulative from Jan. 1	June 1	4,618	4,411	3,163	5,692
MISCELLANEOUS					
Paperboard, New Orders (st) t	May 27	187	193	149	165
Hosiery Production (pairs) m	Mar.	162	156	146	150
Do., Footwear	Mar.	46.2	39.2	44.8	34.8
Cigarettes, Domestic Sales—b	Apr.	26.1	32.0	27.3	17.1
Do., Cigars—m	Apr.	353	453	428	543
Do., Manufactured Tobacco (lbs.) m	Apr.	18.1	21.0	18.4	27.6

PRESENT POSITION AND OUTLOOK

the hands of producers fell in April to the lowest level in five years.

* * *

The Governemnt's stop-and-go tactics in **Stockpiling** are a source of dizzy headaches for zinc and lead producers and their customers. Just how much the Federal hoarders buy is a top secret so that the industry has to lay its plans according to grapevine rumors. According to recent gossip, the price of zinc may be forced up sharply by stepped-up Government buying with the opening of its new fiscal year whereas lead stockpiling may be cut drastically, thereby precipitating a price drop for the metal.

* * *

Expenditures on new **Construction** in May, which approached the $2 billion mark, were more than 20% above last year and topped the seasonal peak reached in the autumns of 1949 and 1948.

* * *

Cash **Dividends** disbursed in April were only 3½% above the corresponding period last year, compared with a three-month increase of 8%.

* * *

Net earnings of the electric **Utilities** for the second uarter are expected to hold the 11% gain over last year reported for the first quarter.

b—Billions. cb—Census Bureau. cd—Commerce Dept. cd2—Commerce Dept., seasonally adjusted monthly totals at annual rate, before taxes. cd1b—Commerce Dept. (1935-9—100), using Labor Bureau and other Data. e—Estimated. en—Engineering News-Record. I—Seasonally adjusted Index (1935-39—100). lb—Labor Bureau. lb2—Labor Bureau (1926—100). lb3—Labor Bureau (1935—100). lt—Long Tons. m—Millions. mpt—At Mills, Publishers, and in Transit. mrb—Magazine of Wall Street, using Federal Reserve Board Data. np.—Without Compensation for Population growth. pc—Per Capita Basis. rb—Federal Reserve Board. rb2—Federal Reserve Board, Instalment and Charge Accounts. st—Short Tons. t—Thousands. *—1941; November, or Week ended December 6.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEXES

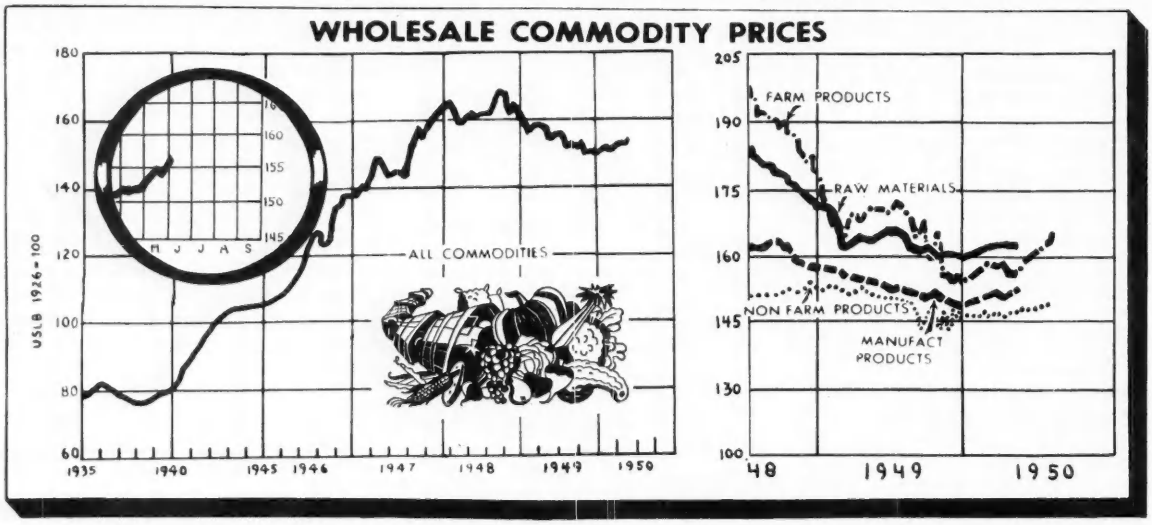
No. of Issues (1925 Close—100)	1950 Indexes High	Low	May 29	June 2
325 COMBINED AVERAGE	153.3	134.7	151.4	151.1
4 Agricultural Implements	207.5	188.5	198.0	200.4
10 Aircraft (1927 Cl.—100)	238.8	170.8	218.1	214.8
6 Air Lines (1934 Cl.—100)	527.1	451.7	498.7	481.5
7 Amusement	104.4	85.6	89.4	85.6a
10 Automobile Accessories	229.1	195.6	228.7	228.3
12 Automobiles	36.0	28.5	35.4	34.7
3 Baking (1926 Cl.—100)	23.3	19.8	20.0	20.2
3 Business Machines	276.5	253.4	261.3	261.8
2 Bus Lines (1926 Cl.—100)	176.6	153.0	160.2	170.1
5 Chemicals	299.9	256.4	299.6	299.9T
3 Coal Mining	14.3	12.2	12.6	12.2a
4 Communication	60.3	41.9	57.3	57.2
9 Construction	64.9	64.1	64.6	64.4
7 Containers	342.1	309.0	337.7	342.1B
9 Copper & Brass	100.9	80.3	97.7	97.8
2 Dairy Products	78.3	71.2	76.8	77.5
5 Department Stores	61.5	56.6	61.5B	60.4
6 Drugs & Toilet Articles	209.8	185.2	204.9	205.4
2 Finance Companies	361.8	319.9	361.2	361.8N
7 Food Brands	180.9	174.5	180.4	180.9
2 Food Stores	108.0	93.4	101.9	101.4
3 Furnishings	80.8	69.0	80.4	80.8B
4 Gold Mining	753.5	634.1	676.1	635.5

(Nov. 14, 1936, Cl.—100)	High	Low	May 29	June 2
100 HIGH PRICED STOCKS	95.27	86.35	95.23	95.27D
100 LOW PRICED STOCKS	183.93	151.88	179.21	178.33
5 Investment Trusts	79.0	71.0	78.3	79.0D
3 Liquor (1927 Cl.—100)	897.6	808.6	841.0	815.1
11 Machinery	165.5	145.4	163.1	161.4
3 Mail Order	119.0	105.4	118.7	118.5
3 Meat Packing	99.0	85.9	98.4	96.6
12 Metals, Miscellaneous	169.3	139.9	161.7	165.8
4 Paper	47.0	39.5	46.5	46.2
30 Petroleum	287.4	241.8	282.2	283.9
27 Public Utilities	153.7	141.0	150.3	149.7
5 Radio & TV (1927 Cl.—100)	35.3	18.1	29.9	32.0
9 Railroad Equipment	50.7	43.9	48.4	47.7
24 Railroads	26.0	22.3	25.4	24.7
3 Realty	35.9	30.8	35.4	35.9D
3 Shipbuilding	160.7	139.7	152.1	149.1
3 Soft Drinks	391.6	338.2	368.3	354.1
15 Steel & Iron	119.4	96.1	116.9	119.4B
3 Sugar	53.9	49.0	51.8	50.0
2 Sulphur	352.1	319.5	341.5	339.7
5 Textiles	139.9	119.9	137.7	138.2
3 Tires & Rubber	40.6	32.0	40.6C	40.2
6 Tobacco	88.2	81.5	82.5	84.2
2 Variety Stores	352.3	337.9	339.5	343.0
19 Unclassified (1949 Cl.—100)	110.0	100.0	109.8	109.9

New HIGH since: B—1948; C—1947; D—1946; N—1937; T—1929. a—New LOW this year.

Trend of Commodities

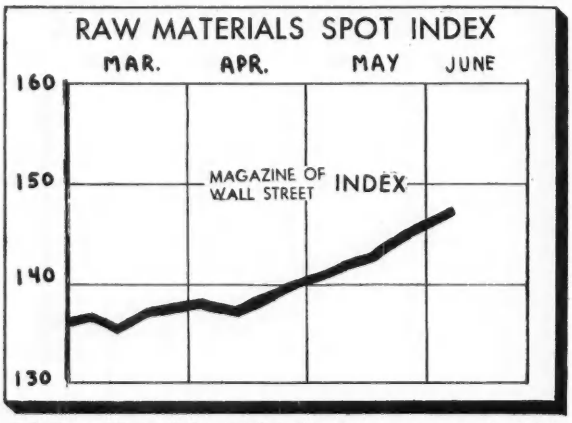
Spot futures indexes advanced during the fortnight ended June 2 to the highest level in over a year. Soybeans shot up 9¾ cents a bushel, making a total advance of 35% in the past four months. At $3.13 a bushel they are now $1 higher than a year ago. This makes soybean oil pretty expensive for processors who use it in making soap, shortening, margarine and paint. Soybean meal is a major feed for cattle and poultry. An immigrant from China, the crop wasn't grown here in quantity until the 1920's. Now it brings in a half-billion dollars yearly to corn belt farmers. The new crop will not be ready for marketing until mid-October and traders, taking a leaf from last year's experience, are grasping the opportunity to profit from progressive tightening in the demand-supply situation centering upon the old crop. Cotton was up $1.20 a bale on fast expanding exports and home consumption. Wool futures rose to the highest levels since inauguration of trading in wool tops on the New York Wool Exchange in 1931. Wheat ran up nearly 2 cents a bushel on drought reports from the Southwest and then sold off later, along with corn, closing down on the fortnight following news of improving prospects for the winter wheat crop in consequence of rain in Kansas as well as in Texas, Oklahoma and Nebraska. Rubber rose to the highest peak in 22 years. Imports of natural rubber in April were 50% above a year ago and largest for any month since December, 1948. Goodyear Tire & Rubber Co. blames the Government for skying prices in natural rubber because it failed to build up an adequate stockpile of synthetic.



U. S. DEPARTMENT OF LABOR INDEX OF 28 BASIC COMMODITIES

Spot Market Prices — August, 1939, equals 100

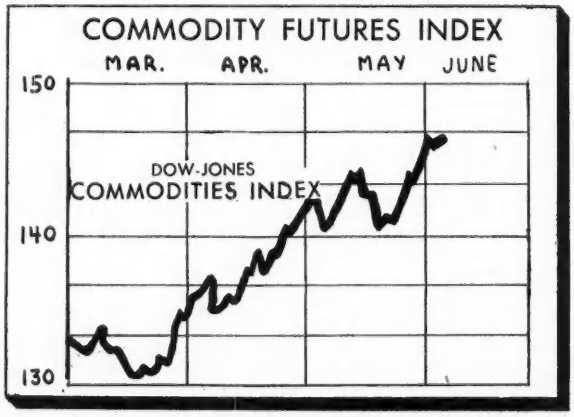
	Date June 5	2 Wk. Ago	1 Mo. Ago	3 Mo. Ago	6 Mo. Ago	1 Yr. Ago	Dec. 6 1941
28 Basic Commodities	268.3	260.3	256.4	248.7	248.4	235.0	156.9
11 Imported Commodities	269.6	257.7	257.5	250.9	260.0	237.3	157.3
17 Domestic Commodities	267.4	261.9	255.6	247.2	242.7	233.6	156.6
7 Domestic Agriculture	329.9	326.6	332.1	305.9	288.9	294.1	163.9
12 Foodstuffs	336.6	322.5	330.1	308.9	303.3	280.1	169.2
16 Raw Industrials	240.6	222.9	224.0	221.2	226.9	216.6	148.2



14 Raw Materials, 1923-25 Average equals 100

Aug. 26, 1939—63.0 Dec. 6, 1941—85.0

	1950	1949	1947	1945	1941	1939	1938	1937
High	147.7	161.5	164.0	95.8	85.7	78.3	65.8	93.8
Low	134.2	134.9	126.4	93.6	74.3	61.6	57.5	64.7



Average 1924-26 equals 100

	1950	1949	1947	1945	1941	1939	1938	1937
High	146.83	139.28	175.65	106.41	84.60	64.67	54.95	82.44
Low	131.21	122.45	117.14	93.90	55.45	46.59	45.03	52.03

Keeping Abreast of Industrial and Company News

Development of a rubber fender for street cars which outwears metal and has eliminated numerous maintenance costs has been announced by **United States Rubber Company.** As a result of trial tests, the Detroit Street Railway Department has specified the new fenders for all cars to be purchased as well as for those in use. By replacing metal fenders over the wheels of each truck with rubber units, over-all savings are estimated at more than $10,000 annually, as the improved fenders neither rust nor corrode, and require no servicing for long periods.

Now that New York's depleted water supply has again approached more normal proportions, the proposal to tap the Hudson River has rather been lost sight of. Steps are being taken, however, to implement this project as soon as possible, in order to augment the dwindling water supply of the nation's metropolis. A contract has already been awarded to **General Electric Company** to furnish about $350,000 worth of electrical equipment for a new pumping station about ten miles south of Poughkeepsie. This station will be able to pump 100 million gallons a day from the Hudson River, in the process treating it with chlorines for purification, after which it will be discharged into the city's water conduits at the same rate.

Another leading concern, **Bendix Aviation Corporation,** is aiding New York's artificial rain-making project that eventually may solve the current "dry" dilemma. Bendix has loaned the authorities scientific recording instruments to equip four meteorological stations, similar to equipment that the company supplies to the U. S. Weather Bureau and other agencies. Additionally, at the request of Dr. Howell, the Harvard University meteorologist, Bendix will furnish a special instrument to measure the movement and speed of clouds, and a light meter to determine the density of the clouds.

An interesting export order for telephone wire has been received by **Copperweld Steel Company** from the Post and Telegraph Department of the Union of South Africa. The order involves four million pounds of wire valued at more than one million dollars. The material will be about 25,240 miles in length and will be used for large scale extension and modernization of the communications system in the South African country.

Gulf Oil Company has taken steps to consolidate and secure its sales foothold west of the Mississippi River through purchase of Missouri State Oil Company at an undisclosed price. The company acquired is a jobber supplying 109 service stations with Gulf petroleum products in St. Louis and six adjoining counties. Terms include acquisition of service stations owned in fee and assignment of leases where necessary. Since 1946, Missouri State Oil has been Gulf's representative in the area, but has confined its distribution to oil products. From now on the service stations will handle Gulf's tire, battery and accessories lines as well.

Fleet Admiral William F. Halsey, Jr. (USN retired) has been elected Chairman of the Board of Directors of **All America Cables and Radio, Inc.,** a position vacant since the death of his predecessor, John L. Merrill, last December. Since March, 1947, Admiral Halsey has been a director of International Telephone and Telegraph Corporation, of which All America is an affiliate. He won world fame as commander of the Third Fleet during World War II, and was aboard the U.S.S. Missouri when the Japanese surrendered.

Pipelines of the **Chrysler Corporation** were entirely depleted as a result of the 15-week strike, although dealers continued to accept orders on quite a scale. This created a big poser for the company when production schedules were finally resumed. Fortunately enough, all preparatory work on introduction of a new model was finished, while at the time the strike was called, all operations had reached a high level. By inaugurating a production schedule of at least two shifts in all manufacturing departments and three shifts in the machine shops, the company made rapid progress towards solving its problem, and in the amazingly short space of three days after the strike ended attained virtually maximum production.

In connection with **Zenith Radio Corporation's** planned test of phonevision in the Chicago area, to test the demand and efficiency of this newly developed device for the Government authorities, some interesting factors appeared at an early stage. Although only 300 families are to be selected for the tests, newspaper ads for candidates brought requests from more than 50,000 homes to participate in seeing first quality movies on home television screens, with choice indicated by telephone service. The few participating families selected will see as many or as few pictures as they chose, and will be billed $1. The test is scheduled to begin in September and will run for ninety days, with a new picture introduced daily.

Max D. Howell, Assistant to the president and to several other top officers of **United States Steel Corporation,** has been elected Vice President and Treasurer of the corporation. Mr. Howell's background and experience fit him well for his new position. He began his business career as an auditor and accountant for American Telephone & Telegraph Company, becoming a senior consultant with Lybrand, Ross Brothers and Montomery later, and in the 1928-37 period serving in turn as controller of the Postal Telegraph Company and as vice president of the Chemical Bank and Trust Company. Since joining Big Steel in 1937, Mr.

Howell has served the Corporation in a number of important ways.

A revolutionary window-shopping device which will enable purchasers to buy merchandise after store hours or on Sundays and holidays has been introduced by Lewis & Conger, the well-known housewares and appliance store in New York City. The new "window salesman" utilizes "Scotch" sound recording tape, a product of **Minnesota Mining and Manufacturing Company,** to take orders from window shoppers. Passers-by will be able to order any item displayed in the window by depositing 25 cents in a slot, naming the item in a concealed microphone and giving name and address, also specifying whether terms should be C.O.D. or charged. Next day all orders are transcribed and deliveries made to the buyers with a refund of the quarter deposited. This new device is called the "Tell-It-To" and is produced by the L. A. Darling Company of Bronson, Michigan.

To meet the continuing higher demand for radio tubes, **Sylvania Electro Products, Inc.** plans to expand substantially its manufacturing facilities for these items. Planned is the immediate construction of a new plant in Shawnee, Oklahoma, which when completed late in the current year will have a monthly capacity of more than one million tubes and will have cost about $1.5 million dollars. New jobs will thus be provided for perhaps 500 employees. The program will reflect the company's postwar policies to decentralize and will extend to six the number of states in which manufacturing is conducted.

The Bakelite Division of **Union Carbide and Carbon Corporation** is constantly uncovering customers who have devised new products made from plastics. Among many recently cited is a new, light-weight collapsible boat that can easily be carried as a back pack and opened for launching in a minute. The "planking" of durable duck is impregnated with Vinylite resin and laid over a frame of hinged aluminum. No leaks, rot or mildew result and the six-foot, 26-pound boat folds up to 38 by 26 inches.

The enormous and highly complicated work of the U. S. Census Bureau will be greatly facilitated by use of **International Business Machines Corporation's** new Electronic Statistical Machine and by other equipment produced by this leading specialist. The electronic machine in one operation classifies, counts, accumulates, edits and prints statistical data, as well as automatically balances totals to insure their accuracy. The millions of facts collected in the Census will be recorded as punched holes in an estimated 270 million IBM cards.

On the recent tenth anniversary of the first sale of tires made of American synthetic rubber, John L. Collyer, president of the **B. F. Goodrich Rubber Company** pointed out that the huge facilities built in war years to produce man-made rubber have fully paid for themselves. Without the 414,000 tons of American rubber produced in 1949, the shortage of all rubber products would have been a very serious matter and it is difficult to see how numerous industries in the current year could maintain their intense activity without the synthetic material in ample supply. It may be news to some of our readers that 18 months before Pearl Harbor, the B. F. Goodrich Company introduced for sale tires containing 50% of synthetic rubber, to highlight the critical situation that would arise in event the war spread to the Pacific.

The Hamilton Standard Division of **United Aircraft Corporation** has introduced an eight-bladed propeller for use on high-powered gas turbine engines developing more than 5000 horsepower. The propeller actually consists of two four-blade propellers, one placed in front of another on a dual shaft, geared to turn in opposite directions. Such a combination of gas turbine engine and propeller will deliver two to three times the thrust of the most powerful turbo-jet engines in production today. The new propeller has already completed 400 hours of successful testing and will soon be delivered to the Navy for similar tests.

Pan American Airways plans on July 5 to put its giant double-deck Boeing Stratocruiser-type Clippers into service on the New York-to-Buenos Aires route. The service will be operated on a twice-weekly basis, inaddition to present schedules, when approved by the governments concerned. These big planes were first introduced in the Pacific and then in the Atlantic services.

Some of the problems encountered in constructing pipelines across all kinds of country necessitate much imagination and no small expense before they can be solved. **Texas Gas Transmiision Corporation,** for example, plans to dredge two trenches 20 feet deep underneath the Mississippi River for two new 20-inch under-water crossings near Greenville, Mississippi. The dredging operation, to cost around $1.4 million, has only been made possible by the development of special equipment to handle the river's excessive depth and swift current at the site selected.

For the first time in the television industry's brief history, the major manufacturers of sets, parts and equipment will show their products to consumers under one roof next fall. The industry-wide show will be presented by the **National Television and Electronics Exposition** for eight days in the 69th Regiment Armory on Lexington Avenue, New York City, beginning September 23. As surveys indicate a potential demand from 5 million buyers, the attendance at the show will probably be very large.

Every few days the tally of new orders for diesel locomotives seems to mount. The board of directors of the **Missouri-Kansas-Texas Railroad Company** recently authorized purchases of diesel equipment at a cost of around $2.2 million. American Locomotive Company was awarded a contract for two 4500-hp. passenger locomotives and two 1600-hp. switchers, while Baldwin Locomotive Works will build eight 1600-hp. diesel electric switchers. Upon delivery of this new equipment by September, 1950, Katy's diesel fleet will total 71 locomotives.

The board of directors of **Continental Can Company** have announced five top management promotions to decentralize responsibility in the domestic metal container and crown cap divisions. T. C. Fogarty has been appointed vice president of the Metal Division, while Reuben L. Perin, William M. Cameron and Sherlock McKewen will report to Mr. Fogarty in their new roles as division vice presidents. Loren R. Dodson, formerly assistant secretary and assistant treasurer, has been named secretary and treasurer.

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET *will* answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your requests to *three listed securities* at reasonable intervals.
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. No inquiry will be answered which is mailed in our postpaid reply envelope.
5. Special rates upon request for those requiring additional service.

Eversharp, Inc.

Has there been some recent improvement in net income of Eversharp and have dividends been resumed?

Net earnings of Eversharp, Inc., in the fiscal year ended February 28, 1950, were sharply greater than the preceding year.

Earnings in the latest fiscal year after all charges, accruals and $1,050,000 of Federal and Canadian income taxes, totaled $1,860,440 as against $746,122 in the preceding twelve months . . . After preferred dividend requirements, the year's earnings were equal to $1.90 a share on 941,689 shares of common stock outstanding, compared with 71c a share on the same basis the year before.

The company's operating efficiency was improved and substantial savings were made. Inventory was reduced by approximately $943,470 to a total of $1,689,727 and the company's cash position at February 28th was at an all time high of $8,099,620.

Earnings in the preceding fiscal year originally were reported as $1,211,122 on February 28, 1949, but in November of 1949 were reduced to $746,122 after giving effect to a provision for adjustment on unused machinery and equipment.

Sales totaled $15,525,538, compared with $17,683,343 the year before, and royalties and other income aggregated $215,937 as against $110,697 in the preceding year.

Eversharp's earnings were sufficient to overcome dividend restrictions imposed by the company's $3 million loan agreement with the Metropolitan Life Insurance Company, and dividends on the common stock have been resumed with the declaration of 25c a share payable May 14, 1950.

Earnings of the company in the first quarter of the current fiscal year ending May 31 should approximate profits for the corresponding period a year ago, and they may be somewhat better, according to the president of the company.

Sales promotion for both the shaving instrument and writing instrument divisions were stepped up during the year with satisfactory results.

Federated Department Stores

Please specify what department stores comprise the Federated Department Stores chain, recent net income and other late data regarding the company. *K. H., Cincinnati, Ohio*

Department stores that comprise the Federated Department Stores chain are: Abraham & Straus, Inc., Brooklyn; Bloomingdale Brothers, New York; William Filene Sons Company, Boston; Halliburton's, Oklahoma City; F. & R. Lazarus & Company, Columbus, Ohio; Milwaukee-Boston Store, Milwaukee; Foley's, Houston, Texas; and the John Shillito, Cincinnati, Ohio. Federated is one of America's largest department store groups.

Sales for the fiscal year ended January 28, 1950 totaled $358,551,020 and this compared with $346,526,318 in the preceding year and $304,720,671 in 1947.

Earnings after taxes and minority interests exceeded those of any previous year, amounting to $15,440,496, compared to $14,780,181 in 1948 and $10,394,202 in 1947. Because the average number of common shares outstanding during the year were somewhat larger than in 1948, per share earnings of $5.57 on the common stock were about 5% less than the previous year's record high of $5.84.

Total earnings after taxes and minority interests represented 4.4% of sales, the same as in 1948, compared to 3.4% a year earlier.

The regular annual dividend rate on the common stock was increased in 1949 to $2.50 from $2.00 per share.

A $7,724,504 reduction of long-term debt was accomplished mostly by the repayment of loans due from 1951 to 1963. In March 1950, an additional $1,500,000 was prepaid on a long-term debt.

The company's corporation simplification was completed in 1949 and will effect operating economies and enable the company to manage its financial affairs more efficiently. Previous to this change, six of Federated's principal stores were operated by subsidiaries. Now the stores are operated as divisions of a single corporate entity.

Columbian Carbon Company

Please advise on recent sales, net income and dividends and current assets of Columbian Carbon Company. *G. F., Salem, Oregon*

Balanced against disturbed business conditions affecting some of its principal products at various times during the period, 1949 was considered a good year for the Columbian Carbon Company.

Net profit, after taxes, was $5,955,247, equal to $3.69 a share in 1949 compared with $6,504,865, or $4.03 a share in the previous year. The 1949 figure in-

cludes $1,429,608 derived from the sale of Mississippi River Fuel Corporation stock after deducting expenses and Federal taxes. Total sales amounted to $38,691,178 in 1949 against $42,920,977 in 1948, a decline of about 10%.

Maintaining its thirty-four year record of consecutive dividend payments, the company paid $2.00 a share in 1949, which is the same amount paid in the two previous years. The company invested $6,964,919 in properties, plant and equipment during 1949.

Columbian's sales of natural gas have increased for the second consecutive year and there were two particular new developments in the oil and gas branch of the company's business. One of these was joining with Tide Water Associated Oil, Atlantic Refining and Ohio Oil, in acquiring exploration and drilling permits on approximately nine million acres of Crown Lands in the Province of Saskatchewan, Canada. A thorough geographical and geophysical investigation of the oil and gas potentialities of the holdings is now being conducted. The other was a transaction whereby the company committed itself to purchase, in participation with others, approximately 23,000 acres of oil and gas leases and five gas-condensate wells in the Rio Grande Valley of Cameron and Hidalgo Counties, Texas. At the end of 1949, net assets were $13,136,070 compared with $12,654,390 at the end of 1948.

Consolidated net profit for the first three months of 1950 amounted to $1,443,566, equal to 90¢ per share, compared with first quarter 1949 net profit of $2,575,002 or $1.60 per share. Sales for the first quarter of 1950 were $10,972,861, a small increase over the $10,258,515 in the corresponding period of the preceding year. First quarter 1949 earnings included $1,906,144 of nonrecurring income.

Southern Natural Gas Company

I have been a subscriber to your valued publication for many years and rarely have taken advantage of your Personal Consultation Service. Will you please furnish information as to recent earnings of Southern Natural Gas Company and dividends, etc.

G. H., Redlands, Calif.

Southern Natural Gas Company and subsidiaries report for the twelve months ended March 31, 1950, consolidated gross revenues of $32,887,118. This is an increase of $4,567,014, or 16% over the $28,320,104 reported for the preceding twelve months. The gain exceeded with a fairly wide margin the rise in gas purchased costs and in other operating expenses resulting chiefly from considerably enlarged demands on the company's system.

Consolidated net income for the latest twelve months increased to $5,385,944. Equivalent to $3.46 for each of the 1,555,459 common shares now outstanding, this compared with consolidated net income of $4,617,037, or $2.97 a share on present stock, earned for the twelve months ended March 31, 1949.

On the 1,411,788 common shares actually outstanding at March 31, 1949, consolidated earnings for the twelve months then ended equaled $3.27 a share.

The company has applied to the Federal Power Commission for a certificate authorizing the construction of additional facilities during 1950 and 1951, which would increase its gas delivery capacity by approximately 26%. The cost of such additional facilities is estimated to be $33 million. In this connection the company has placed orders for pipe and other construction materials in the amount of approximately $10,700,000.

Dividends in 1949 amounted to $2.00 per share and current quarterly rate continues at 50¢ per share.

Peabody Coal Company

How did the coal strike affect net earnings of Peabody Coal Company? Please also make sales comparisons for the past two years.

T. A., Elkhorn Wis.

Consolidated net earnings of Peabody Coal Company and its subsidiaries in the year ended April 30, 1950, subject to year-end audit, were $702,754 after provision for federal income taxes, compared with earnings of $3,030,154 after taxes in the preceding year.

After preferred dividend requirements, there was a loss in the twelve-month period of 15¢ a share on 636,893 shares of common stock outstanding on April 30, compared with earnings of $3.52 the year before, computed on $632,393 shares.

Net sales in the latest year amounted to $42,755,166, compared with $64,440,439 in the preceding year. In bulk terms, sales at April 30, totaled 9,175,760 tons as against 15,487,527 tons in the preceding twelve-month period.

In the three months ended April 30, last quarter of the companys fiscal year, sales in dollars were $13,101,738, compared with $13,861,973 in the corresponding quarter a year before. The net income for the fourth quarter of $519,532 amounts to approximately two-and-a-half times the preferred dividend requirement for that quarter. After providing for the quarterly perferred dividend, this is equivalent to earnings of 50¢ per share on the common stock. Net income for the corresponding three months of 1949 was $476,061, amounting to earnings of 43¢ per common share.

During the last fiscal year, labor difficulties restricted working time to 160 days out of a possible 298, or 53.7%. In the fourth quarter, the company was restricted to 48 days out of a possible 76 working days, or 62%. In this quarter, the company's mines were idle from February 1 to March 6. The impact of all the restricted working time occurred in the fiscal year ended April 30. Operations have improved since the settlement of labor difficulties.

Dividends in 1949 amounted to 70¢ per common share and 20¢ has been paid thus far in the current year.

Warren Foundry and Pipe Corporation

I hear that Warren Foundry & Pipe Corporation's earnings declined in 1949, will you explain the reason for this? Please advise as to current assets and liabilities at the end of the last fiscal year.

I. J., Caldwell, N. J.

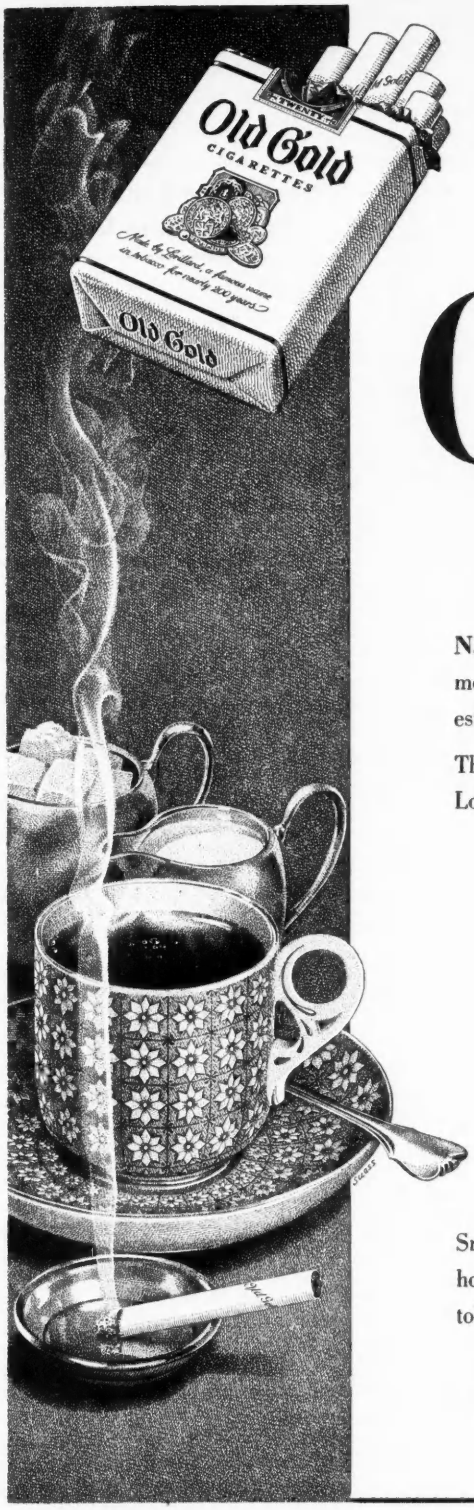
Net profits of Warren Foundry & Pipe Corporation and subsidiaries, listed on the New York Stock Exchange, for 1949 were $563,131 compared with $897,521 in 1948. The decrease reflected the effects of a two-month strike at the company's Everett, Massachusetts plant.

The year's profits were equal to $3.31 per share on the outstanding capital stock against $5.28 per share in the previous year.

Net sales, also affected by the interruption of production at Everett, amounted to $8,699,293 compared with $9,687,993 in 1948.

The production of cast iron pipe and other castings declined about 12% below 1948 due principally to the strike at the Everett

(*Please turn to page 343*)



Among the things America enjoys–

Old Gold

ranks high

Naturally . . for every Old Gold represents the crowning achievement of America's oldest tobacco merchants—P. Lorillard Company, established nearly two hundred years ago, in 1760.

There is no mystery to the success of Old Golds and other fine Lorillard tobacco products. It stems from three basic factors:

selecting the world's best tobaccos, curing them properly and blending them with the utmost care and skill

pioneering in new developments of manufacturing and packaging that build demand for Lorillard products (Lorillard was the first major tobacco company to use the cellophane wrap in cigarette packaging)

advertising constantly and progressively in the most profitable mediums, including radio and television, to more and more consumers—with such effective themes as the current *"For a Treat instead of a Treatment . . . smoke* OLD GOLDS."

Small wonder that P. Lorillard Company—and Lorillard stockholders — face the future with full confidence in their fine tobacco products.

P. Lorillard Company

AMERICA'S OLDEST TOBACCO MERCHANTS • ESTABLISHED 1760

LEADING PRODUCTS OF P. LORILLARD COMPANY

CIGARETTES	SMOKING TOBACCOS	CIGARS	CHEWING TOBACCOS
OLD GOLD	BRIGGS	MURIEL	BEECH-NUT
EMBASSY	UNION LEADER	HEADLINE	BAGPIPE
MURAD	FRIENDS	VAN BIBBER	HAVANA BLOSSOM
HELMAR	INDIA HOUSE	BETWEEN THE ACTS	

The Battle of the Containers

(*Continued from page* 323)

year.

Since diversification policies of the various concerns in the glass division strongly affect their progress potentials in the current year, it is necessary to discuss these on an individual company basis. The output of Owens Illinois Glass Company is especially diverse, as shown by six operating divisions and seven wholly owned subsidiaries, aside from a 48% interest in Owens-Corning Fiberglas Corporation.

Manufacture of glass bottles and containers accounts for only about 40% of total production, with output of glass building blocks, stemware, insulating materials, brushes and television tubes importantly sustaining sales. Despite decreased glass container sales last year, improved volume of other products held volume of $223.8 million very close to that of 1948. A spokesman for the company has reported sales at a substantially higher rate for the first four months of 1950, and prospects of a good crop year should create a satisfactory demand for glass containers.

1949 earnings of $5.38 per share by Owens-Illinois Glass, compared with $3.38 on slightly higher sales in the preceding year, reflect lowered costs due to greater manufacturing efficiency, more effective cost controls and the favorable effect of postwar plant improvements. The improved earnings were possible despite some reductions in product prices.

In the circumstances, it seems probable that on larger sales in the current year, the company's earnings should advance rather substantially, but little or no increased dividend liberality may follow until the company has retired its funded debt of $15 million. Looking ahead, the management also sees very wide excellent potentials for Owens-Corning Fiberglas Corporation and foresees the time when this affiliate will commence to pay liberal dividends.

Over a long term, the operations of Hazel-Atlas Glass Company have been exceptionally stable, as evidenced by an uninterrupted dividend record since 1908. The company is strongly entrenched in the trade and about half of its glass container sales go to food packers. Through improved operating efficiency, profit margins last year were substantially widened despite a slight decline in volume and two raises in freight rates; net earnings of $1.83 per share compared with $1.41 in the preceding year. In the first quarter of 1950, the company reported sales of $14.9 million, slightly above the corresponding rate for last year, while net earnings of 38 cents per share seemed to be holding fairly well. Hazel-Atlas has rather consistently paid out a liberal share of earnings to its stockholders, so that it appears likely that quarterly dividends of 30 cents a share will not vary in the current year.

Anchor Hocking Glass Corporation through broad diversification has stabilized its operations notably. While sales of beer bottles may continue to decline, shipments to the chemical, cosmetic, medicinal and beverage industries are filling in the gap. Additionally, the company has recently expanded its production of glass table ware, heavy duty baking dishes, and ruby glass items. Volume in 1949 rose 7% to $70.5 million and net earnings advanced 33% to $5.78 a share.

The improvement seems to be extending into the current year, as shown by net earnings of $5.86 per share for 12 months ended March 31, 1950. In reflection of the satisfactory outlook, the quarterly dividend paid April 15 was raised to 60 cents per share. On May 15, stockholders approved a 2 for 1 stock-split which will soon become effective. Exceptionally strong finances and a good dividend record engender confidence in Anchor Hocking shares.

Diverse Trends

Not all the manufacturers of metal and glass containers on our table have quite such an encouraging outlook as those we have discussed thus far. For example, unfavorable plant locations and limited diversification adversely affect the operations of National Can Company, forcing it to operate at a loss last year.

Thatcher Glass Manufacturing Company's important reliance on glass milk bottles, now under heavy competition from fiber containers, has led it to close one of its main plants.

Crown Cork and Seal's exports of bottle caps and bottling machinery have shrunken at a time when sales of metal containers also lessened, but considerable improvement in the current year is expected and dividends of 25 cents a share quarterly should continue to be paid.

How Is the Bond Market Faring These Days?

(*Continued from page* 325)

policy which has become an integral part of fiscal policy for reasons well understood. Nor is there likely any change in this respect. Treasury requirements dictate continuance of easy money as far as one can look ahead. So does the trend of official thinking towards long range expansion of the nation's economic base.

Little wonder that there is ever greater desire by conservative investors to switch from low-yield bonds into high-yield good grade common stocks, a desire finally officially recognized by revision of legal restrictions on investments by trustees. In part of course, this was also due to a desire to facilitate the channeling of investment funds into equities and thus relieve the dearth of venture capital. But the growing need for better income return, particularly in the absence of any promise of tax relief, probably played a part in this decision.

Whether as a corollary, we must expect less corporate bond financing and more equity financing in the future, is a moot question. It certainly would presuppose a further strengthening of common stock prices and a narrowing of stock yields.

One of the foremost impediments to equity financing, as we recall, has not been the lack of investment capital nor even the lack of venture capital, but excessive taxation as far as the investor is concerned, and the high price of equity capital — as reflected by current yields — as far as corporations are concerned. And the high yields currently commanded even by good grade equities point to no early change. Regardless of their preference for equity financing, corporations still find loans and bond financing considerably cheaper. But continuation of the bull market and the cumulative effect of investment buying of common stocks might in time change the outlook somewhat.

Meanwhile, institutional de-

Developed by three years of research . . . and now refined by tens of millions of dollars' worth of new equipment!

Gulf's GREAT NEW No-Nox

DESIGNED FOR TODAY'S POWERFUL NEW ENGINES!

Today's new cars have the most powerful *engines* ever made. AND—

They require a super, anti-knock gasoline.

Such a gasoline is the *new* No-Nox. It was especially designed by Gulf scientists—working hand-in-hand with leading automotive engineers—to give you *maximum* performance in your new car.

With a gasoline like this great new No-Nox, you can be *sure* your new car will perform at its brilliant best.

And the new No-Nox not only gives *new* cars peak performance. It also gives new life, new pep, and stops knocks in older cars too — even many with heavily carboned engines!

So no matter what model you drive, get a tankful of the *new* No-Nox today.

See for *yourself* what a difference it makes!

Whisper-Quiet, Knock-Free Power!
Easy, Fast-Firing Starts!
Quick, Safe Passing!
Unexcelled Mileage!
Terrific Power in Every Drop!



Good Gulf—our famous "regular" gasoline —is now better than ever, too!

Gulf Oil Corporation • Gulf Refining Company

5 OVERDEFLATED STOCKS

Selling 36% or more below their '46 Highs

IN a search for undervalued stocks that have not yet shared in the Bull Market, UNITED'S Research Staff has uncovered 5 issues selling 36% to 56% below 1946 highs.

Issues for Appreciation

This select group includes: An issue down from 30 to 17; earning $3 a share, yields 7%. Dividend-payer yielding 7.4%; sells at 27. working capital over $30 a share; business showing marked gain. Strong concern with $65 a share working capital; now 58 vs. 1946 high of 104. Operating in growing territory; stock at 38 yields 7.9%; sold at 65 in 46. Formerly prosperous chemical, making strong comeback with promising new products. Stock below 30 is less than one-half 1946 high.

Yours with Month's Trial

This Special Report and weekly UNITED Investment Service sent for one month to new readers for **$1**

Send $1 for Report MW-33 NOW!

UNITED BUSINESS SERVICE

210 Newbury St. Boston 16, Mass.

CANADA DRY

DIVIDEND NOTICE

The Board of Directors of Canada Dry Ginger Ale, Incorporated, at a meeting thereof held on May 23, 1950 declared the regular quarterly dividend of $1.0625 per share on the $4.25 Cumulative Preferred Stock and a dividend of $0.15 per share on the Common Stock; both payable July 1, 1950 to stockholders of record at the close of business on June 15, 1950. Transfer books will not be closed. Checks will be mailed.

WM. J. WILLIAMS,
V. Pres. & Secretary

THE TEXAS COMPANY

TEXACO

191st Consecutive Dividend paid by The Texas Company and its predecessor.

A dividend of $1.00 per share or four per cent (4%) on par value of the shares of The Texas Company has been declared this day, payable on July 1, 1950, to stockholders of record as shown by the books of the company at the close of business on June 9, 1950. The stock transfer books will remain open.

ROBERT FISHER
Treasurer

May 26, 1950

mand for top grade bonds — despite their inferior yields — is likely to remain consistently strong, and since aggregate holdings of industrial bonds by individuals are relatively limited, even wholesale liquidation and switching into stocks by the latter source could hardly affect prices significantly. The same also applies to individuals now in a position to realize substantial capital gains on their bond holdings, regardless of their reinvestment policies.

As to more speculative bonds, their recent uptrend in prices was a natural corollary of the rising stock market and the general revival of the ecoonmy since last year's recession. While this situation lasts, there is no likelihood of any marked change in yields except in special situations; in fact they may narrow further, should boom and market upswing broaden.

Political and Economic News Around the World

(*Continued from page* 312)

is scheduled to become reality on July 1.

The EPU, which will replace the previous, half-successful payment schemes, will operate as a central clearing house, managed by the Bank for International Settlements in Basle. A part of the capital, $600 million, will be supplied from Marshall Plan funds; in addition $200 to $300 million will be provided by the participating countries.

Beginning July 1, each participating country will report to the EPU the credits and deficits derived from trade with other participating countries. For example, if Sweden sells newsprint to Belgium, it will report the francs earned through this transaction to the EPU. But if Sweden does not want to buy anything from Belgium at the moment, but would like to pay for a shipment of oranges from Italy, the Belgian francs will be transferred from the Swedish to the Italian account. For all practical purposes the currencies of the participating Western European countries will thus become freely convertible into each other — *but not into dollars or other non-European currencies.*

The British, intent on maintaining the bilateral system of trade, wanted at first only a special, limited membership in the EPU — a demand which was opposed by American experts and most of the other participating countries. The problem was finally solved by making freely convertible only the sterling which the participating countries will earn after the Union starts to operate. The existing sterling balances will be dealt with, as in the past, by special bilateral arrangements.

What Price Corporate Cash Resources?

(*Continued from page* 315)

obviously to the advantage of the company and stockholders to continue retiring additional shares.

It seems hardly necessary to suggest that any merchandising enterprise with an annual volume of more than $1 billion, that can maintain a current ratio of 5.6, enjoys an impregnable financial position. This directly fits the picture of Montgomery Ward & Company. Furthermore, of total current assets amounting to $550.6 million, $130.2 million represent cash and short term Government securities, these liquid resources covering all current liabilities of $94.1 million by a margin of more than $36 million.

As pointed out in an article in the preceding issue of the Magazine, this giant mail order house has been criticized in many quarters for not having expanded in postwar at a rate comparable to its competitor, Sears, Roebuck & Company. The management, however, is mindful of hard experience in the early 1930s, and admittedly is setting its house in order to prevent a recurrence of such difficulties, should any hard times again appear, meanwhile remaining content with net earnings about twice as large as the postwar average.

In line with these ultra-conservative policies, the management has established inventory reserves of $26 million that have been invested in prime securities rather than being actively used as working capital. Similar conservatism has been observed in accounting policy, with plant and equipment that cost $71.9 million reduced to $28.8 million by $43.1

million depreciation reserves, while book values of accounts receivable have been pared $28.1 million to allow for possible doubtful accounts over the medium term.

While a lean-over-backward attitude presently may restrict the growth potentials of Montgomery Ward, it appears certain that the company is in the strongest financial shape in its history, well fortified against all eventualities, and if the management proves right in forecasting the approach of a serious recession, it will be in an excellent position to adopt more dynamic policies at an appropriate time . . . Additionally, large cash resources could tend to stabilize dividends in no small degree.

A very substantial portion of the $393 million working capital reported by General Electric Company on December 31, 1949, consisted of cash and marketable securities, both aggregating $322.4 million or $112.7 million more than the corresponding total a year earlier. The exceptional showing reflected the successful culmination of one of the most notable growth programs on record in postwar.

Heavy Plant Expenditures

In the last four years, the company spent more than $215 million on plant improvements, including $60.9 million in 1949, and to help finance the program borrowed $150 million on term notes in December 1946, repayable at $3 million annually beginning 1953. As construction outlays last year tapered off and increased reserves for depreciation swelled cash resources, record earnings further eased the company's financial problems. Of total net income of $125.6 million in 1949, $54.6 million was retained in the business, with reserves of $47.4 million adding to the score.

In consequence of such a rich treasury position at the end of the year, General Electric prepaid $92.5 million of its notes in April, 1950, and has announced that on July 3 it will retire an additional $42.5 million. As $15 million more fo the notes had been previously paid off, the company by midyear, will no longer have any funded obligations ahead of the common stock, service charges will have been eliminated and a larger share of net earnings could be apportioned to stockholders. This interesting record attests to unusually efficient management.

New Outlook for Meat Packers

(*Continued from page* 321)

operating costs of raisers have advanced substantially, prices set by the Board are higher than the industry can maintain and show a profit. Losses are compensated for by Government subsidies.

Although the arrangement is regarded as temporary, scheduled to expire at the end of this month, chances of establishment of a satisfactory substitute program are regarded as none too promising. It would seem that agreement on an economically sound plan for placing the industry on a stable basis would be necessary to assure restoration of normal profits for this company.

Mention probably should be made in this discussion of Armour's medical discovery ACTH, a drug still in the testing stage that appears to have long range potentialities in treatment of arthritis. Although output has been stepped up and quality of the product has improved, the management has little hope of deriving significant profits from the venture for some time to come. Nevertheless this development, together with encouraging progress in chemicals, lends an aura of romance to Armour shares.

Rail Equipment Buying — New Style

(*Continued from page* 307)

severely jolting the price for both common and preferred shares, since cessation of the common dividend may now be indicated.

In the last analysis, and despite the Equitable plan, industry prospects continue to depend substantially on the outlook for the railroads. The latter appears to be improving somewhat but the actual extent of betterment remains to be seen. As of a recent date, at any rate, the railroad industry had indicated a cut of some 35% in purchases for new equipment for the first half of the year, compared with the same 1949 period. This may be changed to some exent by the Equitable plan which will encourage pur-

International Minerals & Chemicals

Mining and Manufacturing
Phosphate • Potash • Fertilizer • Chemicals

★

Dividends were declared by the Board of Directors on May 25, 1950, as follows:

4% Cumulative Preferred Stock 33rd Consecutive Regular Quarterly Dividend of One Dollar ($1.00) per share.

$5.00 Par Value Common Stock Regular Quarterly Dividend of Seventy Cents (70c) per share.

Both dividends are payable June 30, 1950, to stockholders of record at the close of business June 16, 1950

Checks will be mailed.

Robert P. Resch
Vice President and Treasurer

★

INTERNATIONAL MINERALS & CHEMICAL CORPORATION

General Offices: 20 North Wacker Drive, Chicago 6

ROYAL TYPEWRITER COMPANY, INC.

A dividend of 1¾%, amounting to $1.75 per share, on account of the current quarterly dividend period ending July 31, 1950, has been declared payable July 15, 1950 on the outstanding preferred stock of the Company to holders of preferred stock of record at the close of business on June 30, 1950.

A dividend of 50¢ per share has been declared payable July 15, 1950, on the outstanding common stock of the Company, of the par value of $1.00 per share, to holders of common stock of record at the close of business on June 30, 1950.

May 31, 1950

D. H. COLLINS
Secretary

ROYAL

Exide BATTERIES

THE ELECTRIC STORAGE BATTERY COMPANY

199th Consecutive Quarterly Dividend

The Directors have declared from the Accumulated Surplus of the Company a dividend of fifty cents ($.50) per share on the Common Stock, payable June 30, 1950, to stockholders of record at the close of business on June 14, 1950. Checks will be mailed.

H. C. ALLAN,
Secretary and Treasurer

Philadelphia 32, June 2, 1950

NOW BABSON'S OFFERS
INVESTOR'S ENVELOPE

at cost of preparation and mailing

Contains:

3 Growth Stocks to BUY
3 Income Stocks to BUY
4 Appreciation Stocks to BUY
50 Securities to SELL
$20,000 Investment Program
Family Income Budget
Famous Babsonchart

Only a limited number of these Envelopes will be prepared. There is a preparation charge of $2.00. Send no money now but request your Copy TODAY! Print name and address clearly and mail this Ad to Dept. M88.

BABSON'S REPORTS

Wellesley Hills 82, Mass.

Allied Chemical & Dye Corporation
61 Broadway, New York

May 31, 1950

Allied Chemical & Dye Corporation has declared quarterly dividend No. 117 of Two Dollars ($2.00) per share on the Common Stock of the Company, payable June 20, 1950, to common stockholders of record at the close of business June 10, 1950.

W. C. KING, Secretary

1924 through 1935
SHOWN IN THE
SPECIAL EDITION
of
GRAPHIC STOCKS

The Widest Market Swing in History

If ever a complete cycle was demonstrated it was within the 1924-1935 period. Knowing the Market Cycle in its extreme form will help you deal with any market shift.

The Market is now hesitating after a sharp twelve-month rise. Is the 1926 pattern repeating itself?

This SPECIAL EDITION contains the complete record of every important stock throughout these important years — 774 separate issues. This is the *only* book of its kind showing these early prices.

$15 per COPY

SPECIAL OFFER

THREE EDITIONS OF GRAPHIC STOCKS — 1924 through 1935, 1936 through 1947, and Current Edition, 1939 to May 1, 1950.

ALL THREE for only . $25.00

F. W. STEPHENS
15 William St., New York 5
Tel. HA 2-4848

chase and use of new equipment, although an ultimately higher cost and lack of title to the cars may deter the strongest railroads from using it.

On the other hand, an additional incentive is found in that, as far as the rails are concerned, the entire rental payments become a deduction item for tax purposes, thus affording worthwhile tax savings.

Where the alternatives are immediate avoidance of large repair costs (as in the case of Pennsylvania Railroad) and conservation of cash for other purposes, the inclination to adopt the plan will be strong. Similarly, once extended to Diesels, it will further speed the change-over to Diesel power which right along has been a strong prop to the locomotive business. Here, incoming orders have kept backlogs fairly stable in the face of high production; but even so, profit margins are limited by heavy competition.

Passenger Car Orders Also Off

Passenger car orders have dropped, too, recently. Last year, only 107 units were ordered, all from car builders, and the order backlog at a recent date numbered 875 cars compared with 1,768 a year earlier. But even the reduced backlog should be enough to keep car builders going for about a year, and it may be further swelled by extension of the Equitable plan to passenger car financing.

The impact of the Equitable plan on earnings of equipment makers will depend first of all on the volume of business that may develop therefrom. As already stated, high overhead requires substantial production for profits. Reflecting low first quarter volume, earnings of car makers for the first three months were modest, if not disappointing. The pick-up in orders will make for improvements, but since most of them have come since the first of the year, it won't show much in the first half earnings.

As to volume potentials, some anticipate freight car orders of between 50,000 and 70,000 units this year but that would include also orders for the railroads' own shops. The independent car makers' share thus will be smaller, and the overall earnings improvement may be relatively moderate since the orders may be widely spread over the industry. Moreover, close pricing—because of heavy competition—will keep operating margins narrow.

Diesel locomotive production remains dominated by GM's Electro-Motive Division which in the first four months of this year obtained some 62% of orders on a horsepower basis. American Locomotive enjoyed some relative improvement, garnering 26% of orders, and Baldwin Locomotive was a poor third with 5%.

Here, too, the new buying scheme is already proving a fillip. Delaware & Hudson Railroad just ordered 34 Diesel locomotives, costing $4.1 million, from American Locomotive Co. The purchase will be financed by J. P. Morgan Co. and Northwestern Mutual Life Insurance Co. Terms vary somewhat from the Equitable plan. The D. & H. will pay for the equipment in quarterly instalments over 15 years. Baltimore & Ohio Railroad is making similar arrangements with these two financial institutions covering 22 Diesels it ordered some months ago from General Motors' Electro-Motive Division.

Makers of Safety Devices

Companies that make safety devices, switching and signal devices, should do fairly well, with potentials stimulated by (1) an ICC order that the railroads put in additional safety equipment on 45,000 miles of main line; and (2) the 40-hour work week which is spurring demand for labor-saving automatic equipment. This should benefit General Railway Signal Co. ,and Union Switch and Signal Co., a subsidiary of Westinghouse Airbrake Co.

Air brake manufacture, on the other hand, has lost an element of stability derived from the now nearly completed AB brake conversion program. Less than 13% of existing freight cars still lack such equipment and a large proportion thereof will be scrapped or refitted with brakes from retired cars. The moderate freight car backlog, despite recent more active ordering, thus points to a lower level of business in this line. In the case of Westinghouse Air Brake Co., a partial offset exists in improved prospects of its Union Switch & Signal Co. subsidiary, as already mentioned.

Parts suppliers such as American Brake Shoe and Poor & Co. have felt a substantial falling off last year in orders for new and replacement parts, but because of

replacement demand, operations and results should be more stable, particularly for the former which enjoys also good demand for non-railroad products.

Generally, because of limited railroad prospects, the trend towards diversification is becoming more marked. American Car & Foundry, for example, through its subsidiary Carter Carburetor Corporation, is a major supplier of carburetors, fuel pumps, filters and valves to the automobile industry. American Locomotive is making oil refining equipment.

Market Action of Equipment Shares

It was but natural that the limited prospects for equipment makers, at least until recently, found reflection in unsatisfactory market action of most shares in the group. Thus whereas our 325 Combined Average has recovered to a point only 21% below its 1946 high, our group index for railroad equipment stocks is still 56% below. Announcement and increasing adaptation of the Equitable plan has lately imparted a moderate lift to prospective beneficiaries from new orders, but future market potentials doubtless depend on further clarification of the scope of new business to be expected. Even under optimum prospects, it is questionable in most cases whether 1950 earnings can match, let alone better, those of last year because it is doubtful whether they can compensate for the near peak production of early 1949.

Until the outlook is clarified, only the shares of the better situated companies such as Pullman, General American Transportation, General Railway Signal, and Westinghouse Air Brake carry appeal.

Meadow Gold Products

Beatrice Foods Co.

DIVIDEND NOTICE

The directors have declared a quarterly dividend of 50c a share on the $12.50 par value Common Capital Stock payable July 1, 1950 to shareholders of record June 14, 1950.

June 1, 1950 — *C. H. Haskell, President*

to look at video's future through rose-colored glasses, as they were doing this spring; or whether their collective thinking begins to put more emphasis on the competitive factors which in due time will cut earnings, no matter what level of annual set sales is attained.

In Brief

The Canasta fad lifted first-quarter sales of the normally stable U. S. Playing Card Company to $7 million, a year-to-year gain of about 40%. Dividends on this little known Blue Chip can hardly be less than 1949's $5.50, yielding about 7.3% at current price of 75, and might be more . . . Northern States Power, now at 12½ and yielding 5.6% on the amply covered 70-cent dividend rate, looks like a sound, conservative buy, because of good growth prospects . . . Over the last several years Philip Morris and Lorillard have had better earnings gains than the "Big Three" in the cigarette trade. Having reacted substantially on new financing, Philip Morris is the most attractive cigarette stock for new buying . . . On the basis of probable lower earnings this year, International Harvester looks more than amply priced around 28.

ELLIOTT Company
JEANNETTE, PA.

The Board of Directors has declared a dividend of 62½ cents a share on the outstanding 5 per cent Cumulative Preferred Stock and 68¾ cents a share on the outstanding 5½ per cent Cumulative Preference Convertible Stock, both payable July 1, 1950 to stockholders of record at the close of business on June 19, 1950. A regular quarterly dividend of 25 cents a share and an extra dividend of 15 cents a share were declared on the outstanding Common Stock, payable June 30, 1950, to stockholders of record at the close of business on June 19, 1950.

M. G. SHEVCHIK, *Secretary.*

May 31, 1950.

Safeway Stores, Incorporated

Preferred and Common Stock Dividends

The Board of Directors of Safeway Stores, Incorporated, on May 27, 1950, declared quarterly dividends on the Company's $5 Par Value Common Stock and 5% Preferred Stock.

The dividend on the Common Stock is at the rate of 50c per share and is payable July 1, 1950 to stockholders of record at the close of business June 21, 1950.

The dividend on the 5% Preferred Stock is at the rate of $1.25 per share and is payable July 1, 1950 to stockholders of record at the close of business June 21, 1950.

MILTON L. SELBY, *Secretary.*

May 27, 1950.

For Profit and Income

(*Continued from page* 327)

the now familiar price cutting. This growing industry is nowhere near maturity; but there is no way to "figure" the stocks. They are moderately priced on current earnings; but so are numerous stocks which are less speculative than these. They are generally unimpressive on current dividends. Everything depends on whether speculative-investors again begin

Answers to Inquiries

(*Continued from page* 336)

plant, which lasted from October 8, 1949 to December 7, 1949. The strike caused cancellation of some orders on hand and loss of new business, which necessitated, following settlement of the strike, resumption of operations on a one 40-hour week basis as compared with two 40-hour week shifts in effect prior to the strike. However, unfilled orders at the year-end amounted to more than three months' production at the presently scheduled output. The company operates another plant in Phillipsburg, New Jersey, and iron mines at Mount Hope, New Jersey.

According to a report made by the company in March, no consideration is being given currently to the payment of dividends in view of the management's policy of conserving cash for contemplated improvements in the company's pipe plants and for scheduled debt retirement.

During 1949 funded debt was reduced by $421,000 through sinking fund payments of 100,000 on account of first mortgage 3¼% bonds due 1952 and $321,000 on account of 3¾% promissory notes due 1953. Current assets as of December 31, 1949 amounted to $3,191,480 and total current liabilities were $1,146,829. Earned surplus was $2,803,899 compared with $2,190,748 at the end of 1948.

Projecting the New Trends — As We Enter the Second Half

(*Continued from page* 302)

produced and there are waiting periods for popular makes. An auto market of 5 to 6 million units annually now seems probable in the years ahead. That's big, but a plausible estimate based on the huge potential replacement demand. Though 1950 output may stand as a peak for a long while, no sharp decline thereafter seems in the cards.

In steel, operations are running at full capacity and there is every evidence that high production will continue into the fourth quarter. Shortages are widespread and prices are tending higher because of sharply advanced scrap quotations. Steel should do well for the rest of the year with fourth quarof debt expansion, it would also ter operations likely levelling off at a higher plane than earlier anticipated. Much of course will depend on the extent of slackening in autos and building.

However, high activity in these three major industries is enough in itself to guarantee a relatively high level for business generally. Moreover, there are other strong spots. Production and sales of appliances are running high, with refrigerators in the lead. Output here is at a rate of 6.4 million units against four million in the previous boom year 1948. Other electrical appliance lines are also doing well. Television sets, despite a seasonal softening of the market, are being produced at an annual rate of some six million units and production facilities are being further expanded in anticipation of broadening markets in the future.

Generally, while appliances are now flooding the market, there is no difficulty in absorbing them at present. One reason is the tremendous new outlet created by the housing boom and any slackening of the latter is bound to be felt in appliance lines. Another is the mounting rate of obsolescence, and extremely easy payment facilities. Still 1951 may not be quite such a good year as for instance for automobiles if only because most appliances, with the exception of refrigerators and TV sets, may not have so far to go in reaching their saturation points.

Elsewhere we find prospects excellent over the coming months in such fields as chemicals, oils, rubber products, paper, electric power production, non-ferrous metals, floor coverings, furniture and rayon; in the latter, as well as in cotton consumption — there has been a substantial recovery from the setback that hit these industries last year. It is one of the reasons why there is hope for revival in soft goods lines; but this hope still has to be fulfilled.

All in all, and though business may be near its peak for the year, there are plenty of factors at work that should make for relatively well maintained activity despite occasional fluctuations. The momentum of demand is strong. Incomes are high and stable. And so far at least, excessive speculation has been absent. The marked expansion in consumer credit is admittedly a potential danger spot but not one that should portend anything like an early collapse. The total is not disproportionate in relation to disposable income, and such debts customarily are amortized monthly. However, the needs for which instalment credit

Progress Report of Industry

(In Relatives, November, 1948 = 100)

	Sales				New Orders				Unfilled Orders				Inventories			
	Mar. 1949	Jan. 1950	Feb. 1950	Mar. 1950	Mar. 1949	Jan. 1950	Feb. 1950	Mar. 1950	Mar. 1949	Jan. 1950	Feb. 1950	Mar. 1950	Mar. 1949	Jan. 1950	Feb. 1950	Mar. 1950
Aircraft Mfrs.	74	29	361	77	18	29	29	5	66	103	99	111	98	75	67	71
Autos & Trucks	125	131	131	162	.....	.....	.....	.....	.....	.....	.....	.....	120	103	107	107
Auto Parts	108	102	93	111	104	195	43	165	98	78	73	73	110	88	97	112
Auto Tires	101	102	107	.....	.....	.....	.....	.....	.....	.....	.....	.....	120	110	112	.....
Bldg. Materials	107	95	98	105	125	98	142	139	94	89	92	94	117	89	90	91
Chemicals	91	100	100	111	.....	.....	.....	.....	.....	.....	.....	.....	103	91	92	94
Copper Ref.	114	88	89	97	.....	.....	.....	.....	.....	.....	.....	.....	76	89	68	53
Corn Products	97	90	84	93	.....	.....	.....	.....	.....	.....	.....	.....	76	102	93	89
Elect. Equip.	98	86	90	101	124	101	105	120	92	77	76	75	108	81	83	83
Floor Covering	96	78	87	96	128	87	99	.....	.....	.....	.....	.....	104	98	99	98
Leather & Shoes	76	102	112	.....	76	56	39	.....	65	72	52	.....	90	94	87	.....
Lumber	83	92	101	.....	103	124	117	.....	81	119	126	.....	93	87	88	.....
Machinery (Agric.)	112	71	89	108	.....	.....	.....	.....	.....	.....	.....	.....	104	86	87	88
Machinery (Indust.)	112	68	89	91	143	101	104	116	84	55	59	54	109	88	88	122
Machine Tools	100	69	74	99	130	138	124	149	100	89	97	108	70	63	68	76
Metal Fabricating	68	83	89	105	44	84	65	91	49	59	49	66	114	97	88	89
Paper	97	96	93	103	103	104	100	111	88	110	112	114	115	113	112	111
Shipbuilding	76	30	96	60	366	25	4	41	92	52	49	50	103	65	63	63
Steel	103	86	87	90	106	92	86	104	104	94	93	96	92	89	85	85
Textiles	135	110	142	168	104	84	57	37	74	113	104	70	97	78	81	84
Zinc	79	61	64	67	.....	.....	.....	.....	.....	.....	.....	.....	148	247	202	183
*Composite	94	82	88	92	111	105	96	114	86	78	81	82	107	90	89	95

*Includes companies in industries other than those shown above.
Source: Standard & Poor's.

is now so widely used, are becoming progressively less urgent. While this may mean a slackening have a retarding effect on business were it not for offsetting factors elsewhere.

But by and large, there are enough strong spots in the nearby as well as intermediate picture to permit the assumption of active business to continue well into 1951. If within the larger picture, there are also soft spots and potential soft spots, as outlined in the foregoing, it explains the selective nature of the current bull market with some stocks and stock groups lagging while others advanced. The market always keeps its ears close to the ground.

Evaluating Increased Productive Capacity

(*Continued from page* 305)

itself in an enviable position to capture its full share of the market and to operate most efficiently. In 1949, the company earned more than 17% on its enlarged net assets of every description.

In the four fiscal years 1946-49, Bendix Aviation Corporation spent a total of approximately $24 million for plant improvements and additions, deriving $10.5 million of the necessary funds from depreciation reserves during the period, $4.2 million from retained earnings in those years and about $9.2 million from retained earnings of former years. As a result of these outlays, net property values increased 107%.

Sales and earnings comparisons between 1949 and 1946, however, are not quite logical because of tremendous reconversion problems in the earlier year when abnormal wartime activities were abruptly curtailed and only by the application of large tax credits was the company able to report a modest income of 37 cents a share. Allowance must also be made for an eleven-week strike in 1949 that adversely affected both volume and earnings.

In 1946, however, Bendix purchased various government facilities at a cost of $7.8 million and since then has expanded its available floor space by more than 600,000 square feet, for a total gain of 1.25 million square feet in postwar. It is interesting to note that of total outlays of $24 million, more than $16 million was spent for new machinery of the most modern type.

That these improvements are now paying off is indicated by a rise in net earnings in the first quarter of fiscal 1950 to $1.79 per share compared with $1.47 in the related 1949 quarter, a gain of 22%, although volume of $52.3 million rose only 6.2%. Further gains in 1950 may result from a sizable backlog of orders that amounted to $170.4 million at the end of 1949, against $157 million a year earlier.

One of the clearest pictures of benefits resulting from plant improvements is presented by International Paper Company. Considering the size of this concern, an increase of 19.5% in net property account since 1945, involving $25 million, was rather moderate. Enlarged capacity for kraft papers, however, has aided in swelling the company's sales, and by the use of modernized equipment, adequate margins have been maintained on this class of business. Demand for newsprint has also increased steadily in postwar and has strained the company's enlarged capacity, while firm prices have been beneficial to earnings.

Sharp Volume Gain

Volume of International Paper Company in fiscal 1949 amounted to $415 million as against $287 million in 1946, a gain of 44.3%, but was lower than the $458 million reported in 1948, the decline mainly accounted for by a recession in demand and prices for some paper grades in the forepart of last year. Net earnings of $7.12 a share were higher by 78.4% than two years earlier, despite somewhat upset conditions in 1949, showing rather clearly the advantage of modernized equipment.

In the quarter ended March 31, 1950, earnings of $2.26 per share contrasted with $1.91 in the same period of 1949 while volume scarcely gained at all. On June 1, 1950, a large new pulp dissolving mill was scheduled to start operations with a potential annual capacity of 100,000 tons. Output from this new facility should expand over-all volume in the second half of the year and probably add considerably to earning capacity. In a broad manner this concern has taken steps to assure its customers of ample paper supplies in coming years, and its expansion record in postwar seems to have been based on wise policies.

On our table we have indicated with a star several situations where net earnings in 1949 actually declined compared with 1946, despite substantial investments in plant improvements. In general, recessive influences prevalent last year accounted for most of these disparities and detracted from the significance of comparative earnings, and in the current year of broad recovery improvement is widespread. On the other hand, the potential that sooner or later a more prolonged recession may appear and thus reduce corporate outputs, makes it wise to consider the possible effect of increased depreciation charges, interest and amortization on operating results at some later date. While allowance for depreciation involves no cash outlay in lean times, this item directly reduces net earnings as reported.

Although one can hardly question the vigorous expansion by Celanese Corporation in postwar, as one example out of any number that could be cited, $10.7 million charges for depreciation in 1949 were $6.1 million heavier than in 1945 and $2.2 million above 1948. When the company's volume declined 26% last year, earnings followed with a drop of 49%, with heavy depreciation charges exerting marked pressure on margins. While the same would apply in various degree to all concerns that have expanded in recent years, there is no doubt of course that large scale modernization will permanently produce operating economies, and in many cases will enable manufacturers in recessive periods to concentrate production in their most efficient facilities.

ROME CABLE
Corporation
ROME - NEW YORK

DIVIDEND NOTICE

The Board of Directors of Rome Cable Corporation has declared Dividend No. 16 for 30 cents per share on the 4% Cumulative Convertible Preferred Stock of the Corporation, payable July 1, 1950, to holders of record at the close of business on June 16, 1950.

The Directors also declared consecutive Dividend No. 45 for 15 cents per share, on the Common Capital Stock of the Corporation, payable July 1, 1950, to holders of record at the close of business on June 16, 1950.

JOHN H. DYETT, *Secretary*
Rome, N. Y., June 7, 1950.

On the whole, the record expansion in production throughout the economy has both its pros and cons. The statistical evidence presented in our table, as pointed out, is far from conclusive as to potential gains or hazards created by expansion. For one thing, actual amounts spent for improvements have frequently exceeded by a wide margin the yearly gains in net property accounts, while the proportions allotted to modernization compared with plant enlargement could make a lot of difference in individual company situations.

The Trend of Events

(*Continued from page* 296)

able interest in these lands. For several years, they have been leasing drilling rights to various oil concerns, under lucrative royalty arrangements, on the assumption that it was their right to do so. The new ruling would end all that, and is upsetting particularly to Texas which has been supporting her schools with such revenues.

To judge by southern comments, the fight to retain State title to tideland areas has only begun, with chief reliance on congressional action, and it may well be that the Supreme Court may find that it has intruded itself into a hot political issue. State ownership of such tidelands was recognized as a major objective in the Dixiecrat, state right party crusade against President Truman in 1948, and the issue may play a role again in the forthcoming election campaign.

Merits Remain in Doubt

Where the actual merits lie, from the standpoint of economic and public policy, remains an obscure question on which, one feels, the Supreme Court justices have not thrown much light. The Court of course could hardly reverse itself after having previously ruled against California. But the close decision of four to three indicates, in the opinion of those disagreeing with the ruling, that it might be helpful if the Court allows the evidence to be more fully developed at a rehearing now being sought.

As I See It!

(*Continued from page* 297)

pleted though millions are still missing. Nothing could be better calculated to make eminently clear the Kremlin's conviction that Russia holds the whiphand and can do and get away with anything she pleases—anywhere.

In line with this thought, Eastern Germany is now being "groomed" to become a major Russian satellite, and Red China is to be seated in the Security Council to consolidate the Soviet position in Asia and become another instrumentality for Soviet maneuvers. We would be utterly foolish, to say the least, if we should give Russia aid in this endeavor by falling for her latest peace offensive bait.

The cold war can only be ended by the free world's continuous resistance to Soviet aggression by firmness and strength. It is the only basis on which a lasting agreement with the Soviets appears possible.

Reaction Before Further Rise?

(*Continued from page* 299)

at the 1929 high.

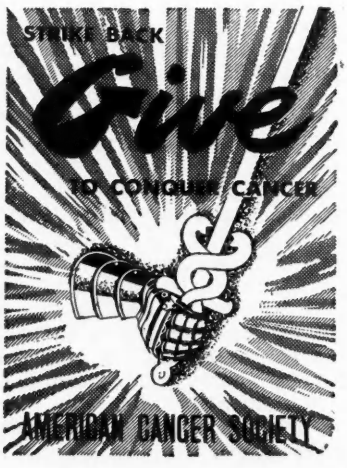
So stocks, by and large, do not appear seriously vulnerable on the one hand; while, on the other, there is some case for still higher prices over a period of time, if you expect satisfactory business for the full year, if not into 1951, as we do on the basis of all present evidence. However, there are some questions in the immediate picture — perhaps enough to make many investors inclined to stand by for a time and take another look at business after the July seasonal sag has been put behind. Nobody knows how vigorous the late summer or early autumn rebound might be. Thus, June might be the top month in industrial production for at least a few months, perhaps longer.

Past Interruptions

There have been interruptions in every upward market trend. To cite a few: In 1946 the daily industrial average set a high of 206.97 on February 2, sold down to 186.02 on February 26 and took until April 9 to better the February 2 high. In 1945 there was a June 26 high of 168.92, with a reaction to 160.91 a month later; and it was about two months (August 24) before the June high was bettered. In 1944 the average zig-zagged down from 150.50 on July 10 to 142.96 on September 14; and did not better the July 10 high until December 9. In 1943 there was a zig-zag reaction from 145.82 on July 14 to 129.57 on November 30; and it was not until mid-June of the following year that the July 14 high was topped. Any number of others could be cited from the 1932-1937 or 1923-1929 periods. Some were sharp, correcting speculative excess; most were moderate and reflected a stand-aside mood by investors, pending more convincing evidence on business trends.

Taking into account a full year of advance, the imminent seasonal sag in business and the tentative indications of "tiredness" in the market cited earlier in this discussion, some interruption, of more than brief duration, in this advance could develop at almost any time, despite the fact that seasonal tendencies have been more or less favorable for the market in some portion of July or August in most past years. We do not see any basis for a very deep reaction. We can see some basis for a "wait and see" period, accompanied by a moderate zig-zag downward, perhaps soon. Hence, we are inclined to emphasize retention of existing positions in stocks of sound quality, rather than to urge new buying at present.

—Monday, June 12.



4 POINT
Investment Program
—Provided by THE FORECAST

Geared to Today's Markets

In this bull market setting when the investment action you take is vital to preserving and building capital and income . . . we suggest that you turn to THE FORECAST just as you would consult your lawyer, doctor, architect, etc., for professional advice. FORECAST SERVICE will provide you with the essentials you need in conducting a sound investment program.

1. When to Buy and When to Sell

Our weekly market forecast . . . with chart of daily action . . . projects the trends and basic forces at work. Definite market advice is then given which you can apply to your independent holdings and to our recommendations. Included . . . with graphs . . . are Dow Theory Interpretations of Major and Intermediate Trends; ***also of our special Market - Support Indicator measuring supply and demand. The latter has been highly accurate in the past . . . and shows significant indications at this time.***

2. Definite Advices on Intrinsically Sound Issues

All recommendations must meet our rigid evaluating factors in regard to: (a) Industrial Position and Potentials; (b) Financial Strength; (c) Proven Earning Power; (d) 6% to 8% Yields Amply Supported by Earnings. *We also specialize in the selection of growth situations in Low-Priced Stocks for Large Percentage Gains.* Technical as well as fundamental factors are carefully considered as it is our steadfast policy to have you strategically time your commitments. This overall analysis is fully applied to all selections . . . bonds and preferreds as well as common stocks.

3. Programs Fitted to Your Needs

Securities selected are carried under our continuous supervision in specialized programs suited to your capital, wishes and objectives. There are three programs: (a) Stressing Security of Principal and Assured Income—with Appreciation; (b) Dynamic Securities for Capital Building with Higher Dividend Potentials; (c) Low-Priced Opportunities for Large Percentage Profits. Each program comprises a fixed number of securities and it is our aim to have you contract or expand your position as we anticipate pronounced market weakness or strength. Sound selection and timing keynote FORECAST SERVICE.

For Outstanding Capital Gains Prospects . . . With Stable Yields of 6% and More . . .

Take advantage of new Forecast recommendations of selected companies that can advance substantially in discounting their excellent 1950 potentials.

We will advise you definitely when to buy and keep every commitment under our continuous supervision . . . attuning your invested position to our judgment of the market's outlook. Enroll today to join with our subscribers in participating in these new selections from the time they are initially advised for profit and income.

4. Continuous Consultation

You are welcome to consult us . . . by mail or by wire . . . on securities in which you are interested . . . as many as 12 at a time . . . to place and maintain your portfolio on a sound basis. We will advise you what to hold . . . switch . . . or close out.

A Plus Service . . . These consultation privileges alone can be worth hundreds and thousands of dollars to you in concentrating in potential leaders . . . in stable investment situations . . . in avoiding laggards . . . in keeping your position adjusted to the market's outlook.

Enroll NOW for the protection and advantages of Forecast Service . . . especially in the next phase of this bull market. *At this time, you also have the advantage of our Special Offer of Free Service to August 1. Mail the coupon below today.*

Mail Coupon Today!

SPECIAL OFFER

6 MONTHS' SERVICE **$60**

12 MONTHS' SERVICE **$100**

Complete service will start at once but date from August 1. Subscriptions to The Forecast are deductible for tax purposes.

FREE SERVICE TO AUGUST 1, 1950

7-1

THE INVESTMENT AND BUSINESS FORECAST
of The Magazine of Wall Street, 90 Broad Street, New York 4, N.Y.

I enclose ☐ $60 for 6 months' subscription; ☐ $100 for a year's subscription.
(Service to start at once but date from August 1, 1950)

SPECIAL MAIL SERVICE ON BULLETINS

Air Mail: ☐ $1.00 six months; ☐ $2.00 one year in U. S. and Canada.
Special Delivery: ☐ $4.00 six months; ☐ $8.00 one year.

☐ Telegraph me collect in anticipation of important market turning points . . . when to buy and when to sell . . . when to expand or contract my position.

Name.....

Address.....

City..... State.....

Your subscription shall not be assigned at any time without your consent.

List up to 12 of your securities for our initial analytical and advisory report.

BOOK REVIEWS

THE STAKES OF DEMOCRACY IN SOUTHEAST ASIA

By H. J. Van Mook

Will national independence bring to the peoples of Southeast Asia liberty and democracy? Or will it mean corrupt government, factional strife and insolvency? Or, again, must we accept their absorption by totalitarian communism, moving southward through the wreck of China and the weakness of Burma, Thailand and Viet Nam?

In this book the author analyzes these questions, using the case history of Indonesia since 1940, in which he played a leading role, to illustrate his points. The seven nations of Southeast Asia — Ceylon, Burma, Thailand, Indo-China, Malaya, Indonesia and the Philippines— have a great deal in common: except for Thailand, they are all struggling through the formative years of nationhood; except for Ceylon, they were all occupied, pillaged and debauched by Japan during World War II. Their 150 million inhabitants, are among the most cheerful and peace-loving peoples of this world. And they are of great importance to other nations as a source of raw materials and foodstuffs, of which they used to export nearly twice as much as the 900 million people of India and China.

Their political and economic structure is of the most vital importance, both to themselves and to us. Unless their new nationalism can be strengthened, the free world may lose not only a highly valuable asset to its economy, but also a most promising ally against totalitarianism in Asia.

Norton $3.75

THE FUTURE OF DEMOCRATIC CAPITALISM

By Thurman W. Arnold, Adolf A. Berle, Jr., Lloyd K. Garrison, Morris L. Ernest Sir Alfred Zimmern

The Future of Democratic Capitalism poses this question: What are the chances of survival for America's present economic and political way of life?

Opposing totalitarian communism proclaimed by the Union of Soviet Socialist Republics of Russia stands the democratic capitalism of the United States which is being attacked from within as well as from without, and is undergoing such serious, rapid changes that its fundamental nature has been altered within a singel generation. Between these two extremes stand the democratic and socialistic nations of Western Europe.

The maintenance of the status quo is a challenge to all concerned, a challenge as difficult and dangerous as it is vital in character. And the best approach to the uncertain future of democratic capitalism would seem to be through a better understanding of the chief institutions of our present economic order.

In this volume five distinguished authorities examine some of our most pressing problems.

University of Pennsylvania Press $2.00

GOVERNMENT AND BUSINESS

By Vernon A. Mund

A timely and unusually well-written consideration of the many ways in which business and economic life are shaped and directed by the government. It includes a large amount of fresh, recent material, such as a discussion of the economic functions of government, legality of industrial pricing methods, state anti-trust laws, the role of government in advancing technology, public ownership as an alternative to public control, constructive proposals for creating and maintaining a policy of competition, and many other important topics in this field. The comprehensive scope of the work results in an exceptionally broad conception of the purpose and extent of government regulation of business. Emphasis is on existing and proposed government activities designed to maintain competition and to cope with problems created by large enterprises. Wherever they are significant, historical and economical backgrounds are included.

Harper Bros.

MAKING CAPITALISM WORK

By Dexter Merriam Keezer and Associates

Why worry about capitalism?

This seemingly casual question is the taking-off point for MAKING CAPITALISM WORK, a stimulating book reflecting the composite thinking of a widely known economics staff on this key question. The book reaffirms the basic American opinion that, on results, capitalism has nothing for which to apologize in comparison with any system of the past, present, or the foreseeable future.

But it does not give unqualified approval to economic conditions in the United States today. As the system now operates, some rather grave defects have developed: defects which promise to become more conspicuous as the last of the war-created shortages are filled and the forced draft of enormous expenditures for the military and for foreign relief is reduced. Furthermore, as a holdover from the great depression, a large and influential part of the population is still suffering from chronic economic jitters —a factor which adds a major element of instability to our economy.

Such defects can and will be overcome if capitalism is properly administered, and this is what Mr. Keezer and his associates have clarified in this book. MAKING CAPITALISM WORK analyzes the factors which make up our present economy and points out the steps necessary to provide a prosperous future. The survey covers such immediate problems as natural resources and international economy, fair competition and the key role of profits, individual incentives and social welfare. The authors suggest that the military budget be kept within reasonable limits so that we may continue our role of economic leadership abroad, and that we revise our inadequate tax structure at home. Along with this we must strictly enforce the conservation of natural resources and continue to expand the social service program, but only on sound principles of self-help and insurance. In this way we can create an atmosphere of economic security.

Whittlesey House $3.50

THE GROWTH AND DEVELOPMENT OF EXECUTIVES

By Myles L. Mace

In this report Professor Mace presents the results of his first-hand observations on the manner in which numerous industrial companies are undertaking to develop executive talent. The central theme of the book is the coaching concept, and his main conclusion is that:

"The most effective way of providing for the growth and development of people is through the conscious coaching of subordinates by their immediate superiors."

Numerous actual experiences are discussed to illustrate how executives help subordinates grow through the utilization of abilities and capacities in carrying out administrative responsibilities.

While this study was restricted to the experiences of manufacturing companies in order to keep the research within manageable limits, Professor Mace's observations should be of value to all business adminstrators.

The author is Associate Professor of Business Administration and is currently working in the second-year course in Administrative Policy. He previously developed the course, Management of New Enterprises, and is the author of *The Board of Directors in Small Corporations*, published by the Division of Research in 1948.

Harvard Business School $3.25

Time To Reappraise

YOUR INVESTMENTS

After ten months of market advance

A Special Invitation to responsible investors with $30,000 or more in investment funds.

The advance in the market from June, 1949, up to date, has drastically changed the status and further potentialities of many securities — some have become *amply priced* — others are still *undervalued.*

★ How carefully have you studied the 1949 financial and income statements — and the new 1950 first quarter earnings reports — of the companies in which your capital is committed? Have you weighed the effects of wage and pension costs, intensified competition, currency devaluations, demand trends?

★ Many uncertain investors merely hold their positions unchanged and hope for the best — but a "do nothing" policy can be most costly in the highly selective market ahead. *If your capital is important to you now is the time to take intelligent action.*

★ As a first step toward placing and keeping your account on a sound basis, we invite you to submit a list of your holdings to us for a confidential, preliminary analysis — if your investment funds are worth $30,000 or more.

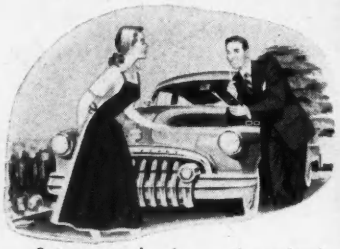
★ *Without obligation* our staff will prepare a report pointing out your least attractive holdings and tell you why to sell them. Valuable comments will be offered on your diversification, income and prospects for capital appreciation. You will be told how our counsel could help you and an exact annual fee will be quoted.

★ Merely send us a full list of your securities, giving the size of your commitments, your buying prices and your objectives. All information will be held in strict confidence.

Investment Management Service

Backed by 42 Years of Successful Service to Investors

NINETY BROAD STREET NEW YORK 4, NEW YORK



Customer research *makes a continuous inquiry into people's wants in styling, checks everything from door handles to roof shapes to make sure GM cars fit public preferences.*



Leading designers *at GM work constantly to create smarter and smarter models, turning out countless studies before even one model is finally decided on.*



Key to reigning beauty

This is a color map *of the United States, kept up to date by GM. It registers color preferences throughout the country, shows at a glance how cars can be best distributed to suit the tastes of all localities.*

Whether in a lady or an automobile, true beauty is admired by everybody.

It is no secret that most folks go for General Motors styling—any survey will tell you that. And there is no secret about how GM cars get their smartness.

It comes from the soaring imagination of artists, tempered by seasoned designers sensitive to the public's likes and dislikes. It comes, too, from the sound interpretation of styling forms by engineers and production craftsmen.

Above all, it is born of the spirit which is never content with beauty as it is, but seeks constantly to make it lovelier and *better* in every way.

Treat your eyes to the sparkling spectacle you find wherever GM cars are on display and we think you will call these cars the reigning beauties of the highway.

Let the dealer treat you to a ride—and we believe you will agree that GM beauty is *more* than metal-deep—that it is only one of many reasons why this is your key to greater value.

THE KEY TO A GENERAL MOTORS CAR

Your key to Greater Value

"MORE AND BETTER THINGS FOR MORE PEOPLE"

GENERAL MOTORS

CHEVROLET • PONTIAC • OLDSMOBILE • BUICK • CADILLAC • BODY BY FISHER • GMC TRUCK & COACH

Hear HENRY J. TAYLOR on the air every Monday evening over the ABC Network, coast to coast.



M. It
lance
es.